

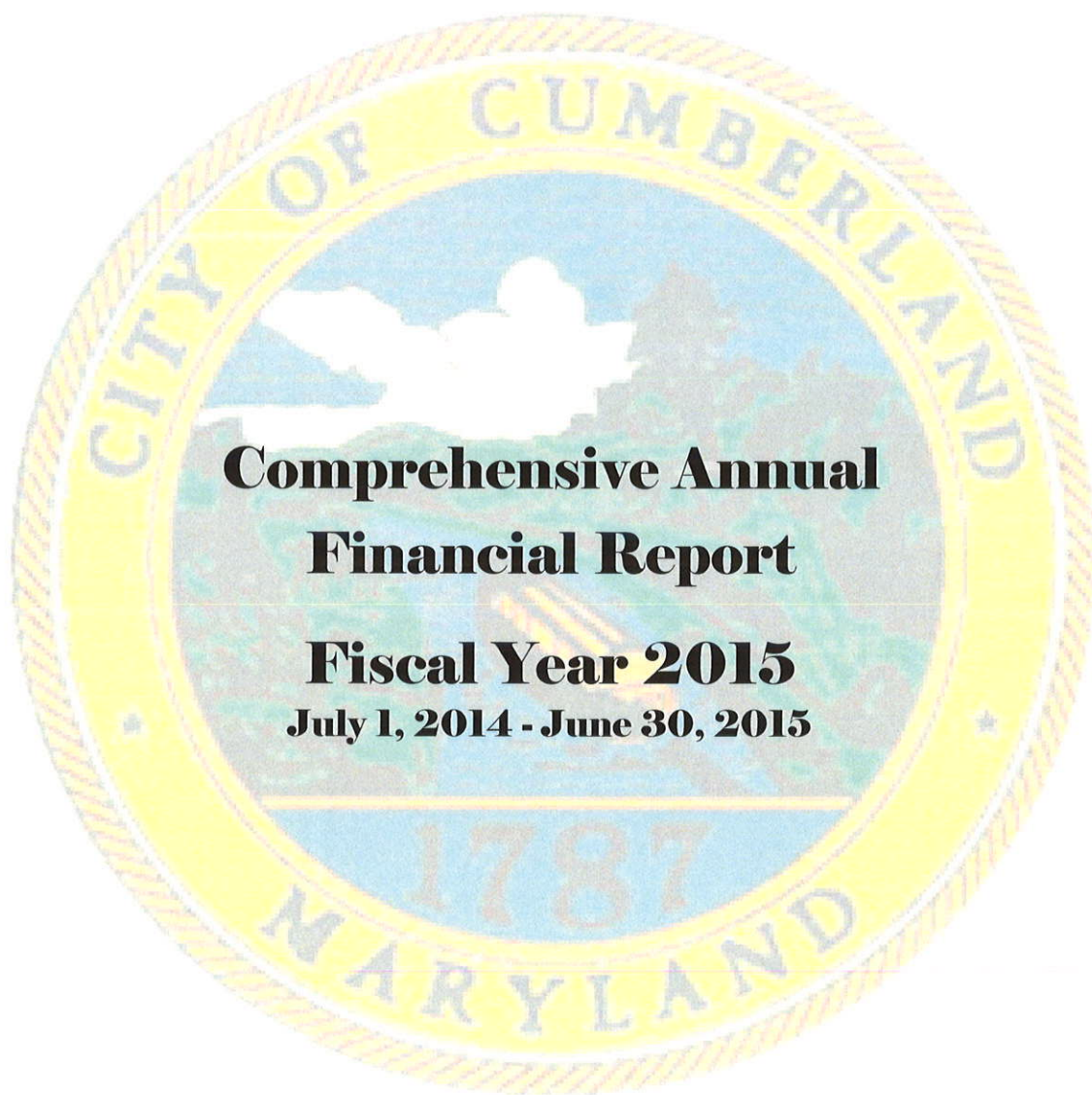
Comprehensive Annual Financial Report



City of Cumberland Maryland

For the Fiscal Year End June 30, 2015





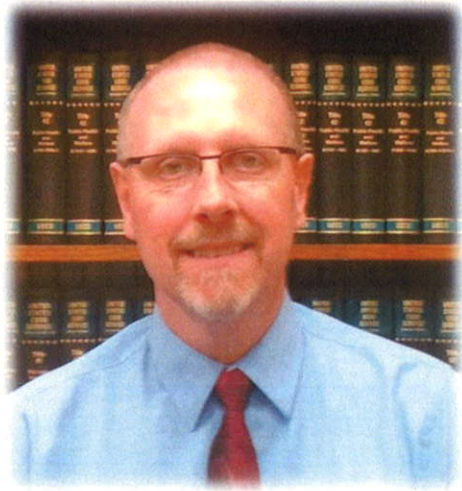
**Comprehensive Annual
Financial Report**

Fiscal Year 2015

July 1, 2014 - June 30, 2015



Brian Grim, Mayor



Jeffrey Rhodes, Administrator



Nicole Alt-Myers, Council



Seth Bernard, Council

City Council



David Caporale, Council



David Kauffman, Council

City of Cumberland
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Introductory Section



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December 18, 2015

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Cumberland, Maryland

State law requires that all general purpose local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) for the City of Cumberland, Maryland, for the year ended June 30, 2015.

This report consists of management's representations concerning the finances of the City of Cumberland. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Cumberland has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Cumberland's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Cumberland's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Turnbull, Hoover & Kahl, PA., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Cumberland, Maryland for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used, and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Cumberland's separately issued Single Audit Report.

The Management Discussion and Analysis portion of the financial statements provides greater detail regarding management's discussion of the financial condition of the City and what has transpired during fiscal year 2015. This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Cumberland is empowered to levying a property tax on both real and personal properties located within its boundaries. The City is also empowered by the state to extend its corporate limits by annexation, which occurs periodically when deemed necessary by the Mayor and Council. The Mayor and Council are responsible for the passing of ordinances, adopting the budget, appointing committees, and hiring the City Administrator, City Solicitor, and the City Clerk. The City Administrator is responsible for carrying out the policies and ordinances of the Mayor and Council, for overseeing day-to-day operations of the city government, and for appointing the heads of the various departments.

The City of Cumberland provides a full range of services, including water, sewer, refuse, streets and drainage, recreation and parks, police, fire, planning and zoning, and community development. The cities schools and library are operated by Allegany County, Maryland.

The City of Cumberland was incorporated in 1815. Its legal authority is derived from Article XI-E of the State Constitution and Article 23-A of the Annotated Code of Maryland. Cumberland has an estimated population of 20,859 and a land area of approximately 11 square miles. The City has operated under the Council-Manager form of government since 1981.

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within the City of Cumberland operates.

Economic Condition and Outlook

Cumberland is located in Allegany County of Western Maryland, equidistant from Washington, DC, Baltimore, MD, and Pittsburgh, PA. Economically, Cumberland closely resembles the Monongahela Valley (Mon. Valley) Industrial region of Western Pennsylvania and Northern West Virginia more than it does the rest of the state of Maryland. Like the Monongahela Valley, Allegany County experienced a rapid decline in high-paying manufacturing jobs during the 1980's. These losses were aggravated by the closure of Kelly Springfield Tire Company (Tires), Celanese (Chemicals), and Pittsburgh Plate Glass. However, three major employers: Orbital ATK (Rocket Center, MD), CSX Transportation (Cumberland, MD), and Verso Paper (Luke, MD), continue to function within the region. The economy and unemployment rate of Allegany County has increased with the rest of the State, and currently has an unemployment rate of 7.0%, as compared to 5.4% for Maryland and the national average of 5.2%.

This stabilization of employment has created a greater diversified job segment and has allowed for jobs in the service, retail trade, tourism, and government sectors to expand and fortify the regions economy outside of the manufacturing industry. However, the region has not completely abandoned its manufacturing past, as it has been able to attract and retain a number of light manufactures including Hunter Douglas, American Woodmark, and Barry Plastics. Additionally, a strong presence exists in public and service sectors including: the Western Maryland Health System, Western Correctional Institute, the Federal Correctional Institution, North Branch Correctional Institute, Frostburg State University, Rocky Gap Resort & Casino, Allegany County, the Allegany County Board of Education and the City of Cumberland.

Even with the regions increased job opportunities and stabilized economy, median household income is \$35,391 lower than the state of Maryland's median household income of \$73,971. While Allegany County has seen its median household income increase, it still lags greatly behind the rest of the State with income of \$29,050 in 1997 to \$39,808 in 2014. The reason for this is, although the region has seen an influx of job opportunities, these jobs are lower paying on a relative basis, than the previous high-paying manufacturing jobs of the 1980's. These economic circumstances are particularly reflected within the families of the lower end of the economic ladder. According to the 1990 U.S Census, Allegany County poverty stood at 16.5% for all residents and 24.2% for children under the age of 18. It would be expected that the increased job opportunities and stabilized unemployment rate would drastically reduce these poverty numbers, however, according to the 2000 U.S. Census, the poverty numbers have not declined; in fact, they have risen. The 2000 Census listed the overall poverty rate for Allegany County as 19.8% and 29.4% for children under the age of 18. With the regions continued economic development and continuing stabilized economy, specifically over the

past five years, according to the 2010 Census, the overall poverty rate for Allegany County was 14.80% and 17.70% of those under the age of 18.

Significant Financial Policies

The City has a conservative approach to investment management wherein there is a balance between maximizing return on its investments and ensuring that its investments are properly secured. To achieve this goal, the City has an investment policy that is consistent with Maryland Law and requires collateralization of 102% of market value of investments. With the exception of direct purchase of U.S. Treasury's, no more than 90% of the City's total investments may be placed at the Maryland Local Government Investment Pool and no more than 70% of the City's total investment may be placed at any one financial institution. Consistent implementation of this policy when the market is experiencing moments of volatility has preserved the foundation of the City investments. This policy is described in greater detail in Note #2 to the city's financial statement, titled "Cash and Investments."

On October September 29, 2009, the Mayor and City Council approved a "Debt Management Policy" to establish guidelines for the issuance and management of the City's debt. The policy confirms the commitment of the Mayor and City Council, the City Administrator, other City management and staff and advisors to: i) adhere to sound debt issuance and management practices, including the full and timely repayment of all borrowings; ii) achieve the lowest practical cost of borrowing commensurate with prudent level of risk; and iii) obtain unfettered access to the capital markets through preserving and enhancing of the quality of the City's bonds and other debt.

On June 21, 2011, the Mayor and City Council approved a "Fund Balance Policy" to define certain terms and to designate the desired target unreserved fund balance equal to 12.5% of the General Fund expenditures. The intent was to provide increased financial stability and to ensure that the City maintains a prudent level of financial resources to protect against temporary revenue shortfalls and unexpected one-time expenditures. In June 2015, the Mayor and City Council enhanced the "Fund Balance Policy" by increasing the requirement to 25% of the General Fund expenditures.

In August 2012, the City received the report from the financial consultants, Davenport & Company, who were engaged to review the City's financial policies, as well as develop a Budget Projection Model that the City would provide five-year projections for the impact of current budgeting alternatives. The consultant's report reaffirmed that the City's financial policies were very effective and strong.

Long Term Planning

In 2014, the City of Cumberland adopted a new Economic Development Strategic Plan that defined a program focusing the City's resources on actions that can most effectively promote a more prosperous economy. The City has made positive steps in advancing this plan with the creation of the Cumberland Economic Development Corporation (CEDC). The CEDC is a 501c3 non-profit corporation established to enhance economic development efforts in the community. The plan is available at the City's web site www.cumberlandmd.gov.

On August 27, 2015, the City entered into a loan agreement with the Community Development Administration in the principle amount of \$3,157,000 to be used for an infrastructure project; vehicles; equipment; facility improvements; and street, water, and sewer improvements, as well as, providing related costs, terms and disbursements of the note. The note has an interest rate ranging from 3.18% to 5.35% and matures in 2025 (10 Year) and 2035 (20 Year), with principle payments ranging from \$116,991 to \$192,000 due annually on each April 1st beginning April 1, 2016.

In August 2014, the City issued \$7,500,000 in general obligation bonds. These bonds have 10 and 20 year terms and mature in May 2034, with principal payments ranging from \$305,500 to \$471,500 due annually each May 1st, beginning May 1, 2015. The main purpose of these bonds was to fund (a) water and sewer system improvements, (b) facility and property improvements, (c) information system improvements and equipment, (d) street improvements, (e) acquisition of new and/or replacement vehicles and equipment, (f) funding a portion of a capital reserve fund, and (g) bond issuance costs. The City had intended to use these bonds before June 30, 2014, with approximately \$1,700,000 of the proceeds budgeted in the General Fund as an other financing source to offset \$1,700,000 in eligible General Fund expenditures. In addition, the City issued \$7,720,000 in general

obligation bonds on July 2, 2013. The main purpose of these bonds was to refund \$2,680,000 in Tax-Exempt Bonds as well as finance \$5,040,000 in Taxable Redevelopment Bonds and Refunding Bonds related to the demolition of the Memorial Hospital Facility. These bonds received a rating of "A" by Fitch and a rating of "A" by S&P.

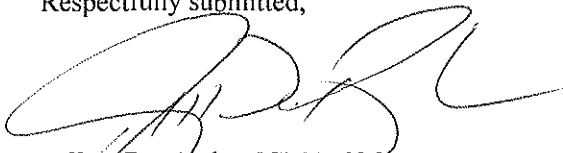
In December 2012, the City entered into a loan agreement with the Community Development Administration in the principle amount of \$1,515,491.29 to be used for street, road, facility and water systems improvements, and providing related costs, terms and disbursements of the note. The note has an interest rate ranging from 0.61% to 3.42% and matures in 2032, with principle payments ranging from \$63,591 to \$97,000 due annually on each May 1st beginning May 1, 2013. The City issued \$9,070,000 in general obligation bonds in October 2008. The main purpose of these bonds was to fund improvements to the various streets throughout the City. These bonds were rated "A" by Fitch, and this rating was reaffirmed by Fitch on December 16, 2011 and it was again re-affirmed on December 10, 2012. On May 31, 2013 Fitch revised the Rating Outlook to Stable from Negative. Similarly, at the date of issue, these bonds were rated "A" by S&P. On April 2, 2012 S&P changed the rating to "A-" from "A" and changed the outlook to negative from stable; however, on May 31, 2013 S&P revised its outlook on Cumberland to positive from negative and reaffirmed its "A-" rating for the City of Cumberland. These changes were the direct result of the fact that on August 31, 2011, the City issued Local Government Infrastructure Bonds Series 2011A in the amount of \$12,275,000 for refunding the certain outstanding bonds to improve its cash flow and liquidity. Lastly, on July 29, 2014 Standard & Poor's Rating Services raised its rating on Cumberland Mayor & City Council, Md's outstanding general obligation (GO) debt one notch to "A" from "A-" under their local GO criteria, released on September 12, 2013, as well as due to the city's improved financial position. The outlook is positive. In addition, the \$6 million bonds were financed by a forgivable loan from the State of Maryland. Lastly, in October 2009 the City issued Water Quality Bonds in the amount of \$6 million and \$3,657,700, which were financed by the Maryland Water Quality Financing Administration with a zero percent interest rate. Lastly, in July 2014, Standard & Poor's Rating Services upgraded the City's bond rating to "A" from "A-" with a positive outlook; while in May 2015, Fitch Ratings affirmed the City's May 2013 rating of "A" with a stable outlook.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cumberland for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the eighth year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Office and the Tax and Utility Office. I wish to express my appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and City Council for their support in maintaining the highest standards of professionalism in the management of the City of Cumberland's finances.

Respectfully submitted,



Jeffrey D. Rhodes, ICMA-CM
City Administrator



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Cumberland
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014



Executive Director/CEO

City of Cumberland, Maryland

List of Elected Officials and Administrators Contact Information

Central Contact Information:

City of Cumberland
57 North Liberty Street
Cumberland, Maryland
21501-1702
(301) 722-2000

Mayor and Council:

Brian K. Grim, Mayor
briangrim@verizon.net

David Caporale, Councilman
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David F. Kauffman, Councilman
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Nicole Alt-Myers, Councilwoman
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Seth D. Bernard, Councilman
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Administration:

Jeffrey D. Rhodes
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Margie Eirich, City Clerk
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Human Resources
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City of Cumberland, Maryland

List of Elected Officials and Administrators Contact information (continued)

Public Safety:

Fire Department

Chief Donald Dunn

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Police Department

Chief Charles Hinnant

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Public Works:

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John DiFonzo

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Administrative Services:

Finance and Collections

Joseph Urban

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Community Development

Jay Oliver

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Management Information Systems

Johnna L. Byers

johnna.byers@cumberlandmd.gov

Parks and Recreation

Diane Johnson

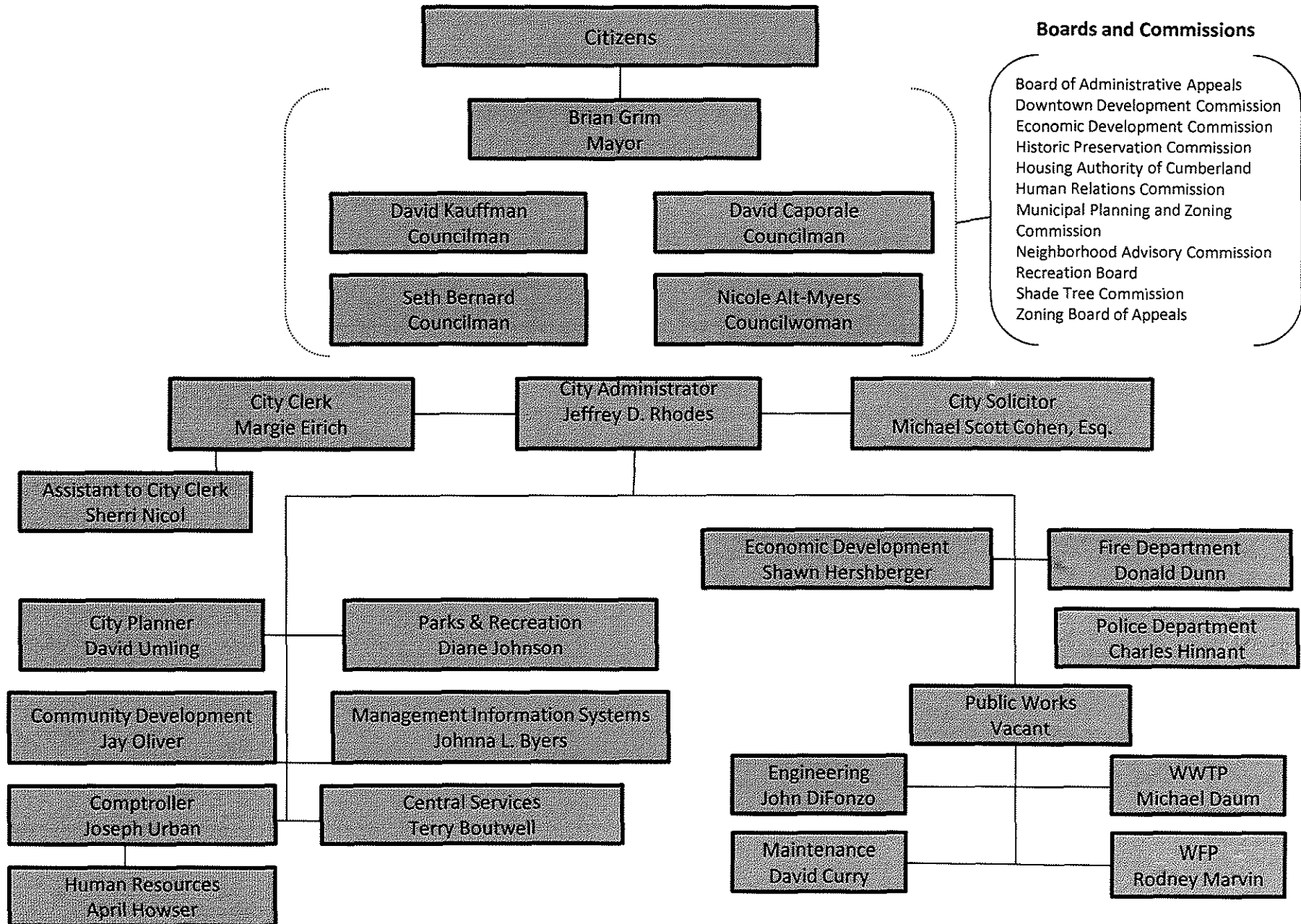
diane.johnson@cumberlandmd.gov

Planning

David Umling

dave.umling@cumberlandmd.gov

City of Cumberland Organizational Chart



Financial Section

David W. Turnbull, CPA
Richard J. Hoover, CPA
Bernard B. Kahl, CPA



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Cumberland, Maryland 21502
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Honorable Mayor and Members
of the City Council
City of Cumberland
Cumberland, Maryland

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 16 to the financial statements, in 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 20, the budgetary comparison schedule on pages 74, the other post-employment benefits schedule of funding progress on page 75, the schedule of the City's proportionate share of the net pension liability on page 76 and the schedule of the City's pension contributions on page 77, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cumberland, Maryland's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the City of Cumberland, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cumberland, Maryland's internal control over financial reporting and compliance.



Cumberland, MD
December 18, 2015

CITY OF CUMBERLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Discussion and analysis of the City of Cumberland's financial performance provides an overview of the City's financial activities for the fiscal years ending June 30, 2015 and 2014, respectively. Readers should read this in conjunction with the basic financial statements, notes to the basic financial statements, and the required supplemental information for a complete and detailed understanding of the City of Cumberland's financial position.

FINANCIAL HIGHLIGHTS

- In fiscal year 2015 the City's governmental activities net position decreased \$14.5 million from fiscal year 2014 after increasing by \$.4 million during fiscal year 2014. The fiscal year 2015 decrease was due largely to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Other notable changes include a decrease in cash of \$206,361, an increase in restricted investments of \$1.3 million and a decrease in unearned revenue of \$563,900. Current worker's compensation claims payable increased by \$357,920 after increasing by \$323,097 in fiscal year 2014. The City's governmental activities long-term bonds payable increased \$8.2 million due to the issue of 2014 Infrastructure Bonds through the Maryland Community Development Administration and the transfer of 2013 Taxable Bond debt from the rental fund upon closing of the rental fund in fiscal year 2015.
- The net position of business-type activities is \$70.7 million in fiscal year 2015 compared to \$69.3 million in fiscal year 2014 while net position of governmental activities declined to (\$2,069,075) after the noted decrease above.
- Net position of business-type activities increased \$1.5 million (an increase of \$4.1 million from current year operations and a decrease of \$2.6 million due to the implementation of GASB Statement 68, Accounting and Financial Reporting for Pensions) and decreased \$.9 million for fiscal years 2015 and 2014 respectively.
- During the year, the City incurred net expenses of \$15.9 and \$14 million, in comparison to the \$8.3 and \$7.4 million generated in program revenues for governmental programs for fiscal years 2015 and 2014. General revenues received totaled \$12.9 and \$12.6 million during fiscal years 2015 and 2014 respectively while transfer fees totaled \$.2 and \$1.5 million for fiscal years 2015 and 2014 respectively. The City reported \$.7 million in demolition costs as a special item related to demolition of the former Memorial Hospital.
- The City's business-type activities generated \$3.3 and \$1.8 million of total revenue in excess of \$15.7 and \$16.4 million of expenses for fiscal years 2015 and 2014. In fiscal year 2015 the most significant component of revenues in excess of expenses resulted from a decrease in expenses in both water and sewer operations, and an increase in revenues due to increased usage in water and sewer services, and a sewer rate increase. Additionally, capital grants associated with the Waste Water Treatment Plant declined by \$.4 million.

- The total cost of all of the City's programs was \$39.9 million for fiscal year 2015, and \$37.7 million for fiscal year 2014. There were no new programs added in fiscal year 2015.
- On the Fund Financial Statements, the General Fund fund balance increased by \$5.0 million in 2015 from a \$0.4 million deficit in 2014. The FY15 surplus is primarily the result of the issuance of the 2014 Infrastructure Bonds through the Maryland Community Development Administration and the transfer of \$1.7 million in unused 2013 Taxable bond proceeds from the Rental Fund in fiscal-year 2015. There was an increase in total taxes of \$118,884. Transfers-out from the General Fund decreased by \$.5 million. The City incurred increased General Fund expenditures of \$2.0 million from fiscal year 2014 primarily due to an increase in Public Safety expenses of \$.8 million and \$.8 million in Community Development and Housing due to expenditures associated with demolitions of East Side School and ARC properties.
- The City prepays Worker's Compensation claims/expenses. In fiscal year 2015 the City recorded prepaid expenditures of \$1.7 million in the General Fund, primarily due to prepaid Workers Compensation claims/expenses. For the government-wide statements there is a related contingent liability. This matter is explained in further detail in Note 13, "Risk Management" to the financial statements.
- Additionally, the General Fund saw an increase in Due from Government by \$2.9 million due 2014 Infrastructure Bonds through the Maryland Community Development Administration expenditures being incurred by not reimbursed by the State until July 2015.
- Restricted Investments is increased by \$1.7 million due to transferring the Property Rental Fund into the General Fund in fiscal year 2015.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements known as the basic financial statements. The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities that provide information about the activities of the City as a whole and present a long-term view of the City's finances. Also included are Fund Financial Statements. For governmental activities, these statements reflect how these services were financed in the short term, as well as what is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

An analysis of the City as a whole and as to whether it is better off as a result of the year's activities is reflected in the Statement of Net Position and the Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is actually received or paid.

These two statements report the City's net position and changes in them. The City's net position reflects the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator as to whether the City's financial health is improving or deteriorating. It is important to also consider other non-financial indicators such as changes in the City's property tax base, changes in the City's overall economic conditions, and even the condition of the City's streets and physical assets to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities:

- *Governmental Activities* – Most of the City's basic services are reported here, including the police, fire & ambulance, public works, parks and recreation department and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.
- *Business-type Activities* – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer systems, parking facilities, and trash collection operations are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

An analysis of the City's major funds reflected in the Fund financial statements provides detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (specific projects), or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- *Governmental Funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be utilized in the near future to finance the City's programs. The relationship (difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is provided in the Reconciliation of the Balance Sheet to the Statement of Net Position report on page 25.
- *Proprietary Funds* – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City's combined net position are \$68.7 million and \$81.7 million, with total revenues of \$40.7 million and \$37.1 million and total expenses of \$40.5 million and \$38.7 million for fiscal years 2015 and 2014, respectively.

Net Position

	Governmental Activities		Business-type Activities		Totals	
	FY15	FY14 (as restated)	FY15	FY14 (as restated)	FY15	FY14 (as restated)
Current and Other Assets	\$ 13,263,281	\$ 8,760,417	\$ 11,248,917	\$ 10,283,863	\$ 24,512,198	\$ 19,044,280
Capital Assets	<u>27,221,050</u>	<u>25,678,744</u>	<u>95,915,316</u>	<u>97,921,744</u>	<u>123,136,366</u>	<u>123,600,488</u>
Deferred Outflows	<u>1,613,143</u>	<u>1,492,398</u>	<u>397,467</u>	<u>359,103</u>	<u>2,010,610</u>	<u>1,851,501</u>
Total Assets & Deferred Outflows	<u>42,097,474</u>	<u>35,931,559</u>	<u>107,561,700</u>	<u>108,564,710</u>	<u>149,659,174</u>	<u>144,496,269</u>
Long-term Liabilities (net of current portion)	37,850,032	30,150,331	33,550,247	37,821,825	71,400,279	67,972,156
Current Liabilities	<u>5,072,514</u>	<u>3,940,577</u>	<u>2,986,067</u>	<u>4,132,975</u>	<u>8,058,581</u>	<u>8,073,552</u>
Deferred Inflows	<u>1,244,003</u>	<u>-</u>	<u>299,334</u>	<u>-</u>	<u>1,543,337</u>	<u>-</u>
Total Liabilities & Deferred Inflows	<u>44,166,549</u>	<u>34,090,908</u>	<u>36,835,648</u>	<u>41,954,800</u>	<u>81,002,197</u>	<u>76,045,708</u>
Net Position:						
Net Investment in Capital Assets	16,053,058	14,620,530	66,477,517	68,227,169	82,530,575	82,847,699
Restricted	2,742,539	1,668,063	1,079,295	-	3,821,834	1,668,063
Unrestricted (deficit)	<u>(20,864,672)</u>	<u>(14,447,942)</u>	<u>3,169,240</u>	<u>(1,617,259)</u>	<u>(17,695,432)</u>	<u>(16,065,201)</u>
Total Net Position	<u>(\$ 2,069,075)</u>	<u>\$ 1,840,651</u>	<u>\$ 70,726,052</u>	<u>\$ 66,609,910</u>	<u>\$68,656,977</u>	<u>\$68,450,561</u>

Changes in Net Position (In Millions)

	Governmental		Business-Type		Total Primary	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	FY15	FY14	FY15	FY14	FY15	FY14
Revenues						
Program Revenues						
Charges for Service	\$2.6	\$2.0	\$19.1	\$17.7	\$21.7	\$19.7
Operating Grants	5.3	4.7			5.3	4.7
Capital Grants	0.4	0.6		0.5	.4	1.1
General Revenues:						
Property Taxes	10.7	10.8			10.7	10.8
Other Taxes	0.5	0.5			0.5	0.5
Shared Revenues	1.4	1.4			1.4	1.4
Unrestricted Investment Earnings	0.1	0.1			0.1	0.1
Miscellaneous	<u>0.2</u>	<u>0.1</u>	<u>0.5</u>	<u>0.2</u>	<u>0.7</u>	<u>0.3</u>
TOTAL REVENUES	<u>21.2</u>	<u>20.2</u>	<u>19.6</u>	<u>18.4</u>	<u>40.8</u>	<u>38.6</u>
Program Expenses						
General Government	1.9	1.7			1.9	1.7
Public Safety	12.2	10.9			12.2	10.9
Public Works	4.0	3.5			4.0	3.5
Recreation	0.9	1.0			0.9	1.0
Community Development	4.1	3.4			4.1	3.4
Interest on LT Debt	1.1	0.8			1.1	0.8
Water			6.0	6.4	6.0	6.4
Sewer			7.7	7.9	7.7	7.9
Municipal Parking						
Authority			0.6	0.4	0.6	0.4
Trash			1.4	1.0	1.4	1.0
Property Rental			=	<u>0.5</u>	=	<u>0.5</u>
TOTAL EXPENSES	<u>24.2</u>	<u>21.3</u>	<u>15.7</u>	<u>16.2</u>	<u>39.9</u>	<u>37.5</u>
Excess Before Transfers and Special Items	(3.0)	(1.1)	3.9	2.2	0.9	1.1
Special Item – Demolition Costs	(0.7)			(1.6)	(0.7)	(1.6)
Transfers	<u>(0.2)</u>	<u>1.5</u>	<u>0.2</u>	<u>(1.5)</u>	=	=
Change in Net Position	(3.9)	0.4	4.1	(0.9)	0.2	(0.5)
Net Position-Beginning	12.4		69.3		81.7	
Restatement (Note 16)	<u>(10.6)</u>	=	<u>(2.7)</u>	=	<u>(13.3)</u>	=
Net Position-Beginning (as restated)	<u>1.8</u>	<u>12.0</u>	<u>66.6</u>	<u>70.2</u>	<u>68.4</u>	<u>82.2</u>
Net Position-Ending	<u>(\$2.1)</u>	<u>\$12.4</u>	<u>\$70.7</u>	<u>\$69.3</u>	<u>\$68.6</u>	<u>\$81.7</u>

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$9,944,955 and \$3,953,571 million for fiscal years 2015 and 2014 respectively. This is an increase of \$6.0 million compared to fiscal year 2014, where the increase was attributable to the issuance of \$5.3 million in Local Government Infrastructure Bonds through the Maryland Community Development Administration in the General Fund and the transfer of unused 2013 taxable bond proceeds from the Rental Fund upon closure of the Rental Fund.

For the General Fund, total expenditures increased \$2.0 million while revenues increased by \$0.9 million from FY 2014. The Public Safety expenses increased by \$787,557; Community Development and Housing was increased by \$832,161 primarily due to increased investment in economic development activities funded by the General Fund. The transfer-out to other funds decreased by \$.7 million while the transfer-in from other funds increased by \$2.1 million primarily a transfer in from the Rental Fund of \$2.6 million as the Rental Fund was eliminated and debt assumed by the general government.

While Water Fund operating revenues and expenses remained stable during fiscal year 2015, Sewer Fund revenues increased by \$1.4 million due to a rate increase and increased consumption charges. Sewer expenditures decreased by \$174,374 primarily due to a slight decrease in other operating expenses. The net transfers out from the water fund decreased by \$414,097 from fiscal year 2014 while net transfers out of the sewer fund increased slightly by \$23,806 from fiscal year 2014.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Mayor and City Council revises the City budget. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations. The second category includes changes that are made to adjust for unforeseen savings and expenses in order to reflect a more accurate budget. Lastly, the Mayor and Council amend appropriations to prevent budget overruns.

With these adjustments, the charges to appropriations (expenditures) were \$462,210 and \$814,033 below the final budgeted amounts for fiscal years 2015 and 2014. The City initially did not budget for the \$5.4 million in bond proceeds that were received in fiscal year 2015 in the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015 and 2014, the City had \$27.2 and \$25.7 million invested in a broad range of capital assets for Governmental activities and \$95.9 and \$97.9 million for the Business-type activities.

This year the City completed several capital projects in the business type activities, which included the Anaerobic Digester for \$551,211; the Programmable Logic Controller Upgrade for \$104,129; FH Valve Replacement for \$336,785, Fairview Avenue Water Main for \$31,665, Linden Street Water Main for \$44,098. Additionally, the City purchased a Valve Winding and Vac Machine for \$56,795, National NBT Crane for \$161,367, four replacement vehicles for \$144,397, three riding mowers for \$24,450, and other equipment for \$46,283. Also, additions to work in process of \$534,921 included \$108,875 for various Water Fund projects, and \$426,046 for various Sewer Fund projects.

In the Governmental activities, the City paving projects included twelve streets, N. Greene Street, Baltimore Street Bridge, N. Centre Street, Lee Street, Virginia Avenue, S. Greene Street, Beall Street, Louisiana Avenue, White Avenue, Winifred Road, Ashland Avenue and Franklin Street rail road crossing for a total of \$738,425. The City acquired 16 replacement vehicles for \$436,508; a 2014 Polaris Ranger 6x6 for \$17,738, in-car computers for \$39,240, 2014 Horton ambulance for \$205,640, a virtual server for \$169,370, Block Storage for evidence lockup for \$9,200, CAT Backhoe/loader for \$67,000, traffic signal replacement at Greene and Allegany Streets for \$46,187, a generator for \$47,924, other equipment in the amount of \$54,568, City Hall improvements for \$27,645, computer system upgrades for \$56,826 and acquired various properties for \$201,331. Also, additions to Work in Process for infrastructure of \$857,041; upgrades to the ERP System for \$242,326, improvements to a new e-mail system for \$42,301, improvements to internet supply for \$70,138, improvements and repairs to City Hall for \$70,460, new HVAC and Fire Alarm System for the Public Safety Building for \$37,736, repairs to the South End Fire Station for \$81,051, new HVAC for the Municipal Service Building for \$20,701, ADA improvements to the old HRDC building for \$17,450, security access upgrade for \$5,185, and improvements to the Amtrak entryway for \$47,022. Additionally, a Bobcat Excavator for \$43,689 and a 1999 Chevy Van for \$17,288 were transferred to the Public Works department from the Water Department.

Additional detail regarding Capital Assets can be found in Note 5 to the financial statements, titled "Capital Assets."

Debt

At year-end, the City had \$56.2 million and \$52.8 million in bonds, notes and leases outstanding for fiscal years 2015 and 2014. In August of fiscal year 2015 the City entered into a loan agreement with the Community Development Administration in the principal amount of \$7,520,000 to be used for street, road, facility and water system improvements, and providing for related costs, terms and disbursement of the note. The unspent portion at June 30, 2015 was \$3,980,285, which is being held in an escrow account by the State of Maryland.

In December 2012, the City authorized \$1,515,491 in Local Government Infrastructure Bonds, 2012 Series B-1 and Series B-2 financed through the Maryland Community Development Administration. The unspent portion at June 30, 2015 was \$117,465, which is being held in an escrow account by the State of Maryland.

Effective July 1, 2014, the Property Rental Fund transferred to the General Fund the liability for the 2013 Taxable Redevelopment and Refunding Bonds balance of \$4,775,000 due to the completion of the Memorial Hospital building demolition.

In November, 2015, a portion of the 2005 Drinking Water State Revolving Fund Loan was forgiven in the amount of \$497,000. The 2009 AARA Maryland Water Quality Financing Administration Bond is scheduled to be forgiven in October 2019.

Further, the 2002 Public Improvement Bond is scheduled to be retired in August 2016 and the 2005 Tax Incremental Financing Bond is scheduled to be retired in May 2020.

Outstanding Debt at Year-End

	Governmental		Business-Type		Totals	
	<u>Activities</u>		<u>Activities</u>			
	FY15	FY14	FY15	FY14	FY15	FY14
General Obligation Bonds	\$24,720,173	\$15,677,315	\$31,527,406	\$35,861,554	\$56,247,579	\$51,538,869
Notes and Leases	<u>1,037,958</u>	<u>1,262,880</u>	<u>3,177</u>	<u>6,825</u>	<u>1,041,135</u>	<u>1,269,705</u>
Totals	<u>\$ 25,758,131</u>	<u>\$ 16,940,195</u>	<u>\$ 31,530,583</u>	<u>\$ 35,868,379</u>	<u>\$ 57,288,714</u>	<u>\$ 52,808,574</u>

The detail of the various operating leases can be found in Note 6 of the financial statements, which also includes additional detail regarding the City's debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2016 budget, tax rates and fees that will be charged for the business-type activities. One of those factors is the economy. Unemployment in the Cumberland/Allegany County area on June 30, 2015 was 7.0% while the State of Maryland rate was 5.4% and the National rate 5.2%. The unemployment rate in the City/County declined from the 2014 rate of 7.5%.

The City experienced a decline in assessable real property tax base of \$23.8 million beginning July 1, 2015. During the FY16 budget process City staff directed all departments to submit their FY 2016 budget with a focus on maintaining operating expenses with increases for only extraordinary items.

Principally different from the fiscal year 2014 budget, the City continues to further invest in economic development initiatives and staffing to support such initiatives.

Additionally, the City continues to resolve labor contract issues. To this end, the City and IAFF agreed to eliminate minimum staffing requirements in the Cumberland Fire Department in order to facilitate a reasonable downsizing of the department.

In August 2015 the City entered into a loan agreement with the Community Development Administration in the principal amount of \$3,226,875 to be used for equipment purchases, facility, street, water and sewer improvements, and development costs, including cost of issuance. The note has an interest rate ranging from 3.18% to 5.35% with principal payments ranging from \$116,991 to \$192,000 due annually each April 1st beginning April 1, 2016. Additionally, the Sewer rates for fiscal

year 2016 were increased by 10% to fund increasing operating and depreciation expenses for the Enhanced Nutrient Removal Plant.

CONTACT THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If there are any questions about this report or if additional financial information is needed, please contact the City Comptroller's Office at 57 N. Liberty Street, Cumberland, Maryland, 21502.

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash	\$ 13,401	\$ 4,200,742	\$ 4,214,143
Investments	282,221	2,507,007	2,789,228
Taxes receivable	1,739,446		1,739,446
Accounts receivable	315,217	2,065,521	2,380,738
Accrued interest receivable	21,351	-	21,351
Due from other governments	3,854,587	1,119,943	4,974,530
Internal balances	(31,468)	31,468	-
Prepaid expenses	1,812,656	657,680	2,470,336
Inventory	14,739	636,862	651,601
Total Current Assets	<u>8,022,150</u>	<u>11,219,223</u>	<u>19,241,373</u>
Noncurrent assets:			
Housing loans receivable	279,218		279,218
Loans receivable	561,552		561,552
Notes receivable	940,000		940,000
Restricted cash	1,350,758	-	1,350,758
Restricted investments	2,036,900	4,694	2,041,594
Property, plant and equipment:			
Land and land improvements	1,151,955	814,579	1,966,534
Buildings & improvements	14,802,367	137,397,442	152,199,809
Machinery and equipment	8,049,138	5,110,547	13,159,685
Infrastructure	34,015,324		34,015,324
Construction in progress	2,618,634	1,675,382	4,294,016
Accumulated depreciation	(33,416,368)	(49,082,634)	(82,499,002)
Other assets		25,000	25,000
Net OPEB asset	72,703		72,703
Total Non-Current Assets	<u>32,462,181</u>	<u>95,945,010</u>	<u>128,407,191</u>
Total Assets	<u>40,484,331</u>	<u>107,164,233</u>	<u>147,648,564</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Contributions to pension plan	1,448,735	357,907	1,806,642
Change in pension assumptions	164,408	39,560	203,968
Total Deferred Outflows of Resources	<u>1,613,143</u>	<u>397,467</u>	<u>2,010,610</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 42,097,474</u>	<u>\$ 107,561,700</u>	<u>\$ 149,659,174</u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2015
(continued)

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 509,193	\$ 624,374	\$ 1,133,567
Accrued wages	360,693	-	360,693
Accrued interest	257,061	119,648	376,709
Unearned revenue	332,799	1,200	333,999
Deposits payable	39,478		39,478
Accrued health claims	252,048	99,115	351,163
Current portion of compensated absences	841,093	287,495	1,128,588
Current portion of workers' comp payable	1,057,545	425,002	1,482,547
Current portion of bonds and notes payable	1,422,604	1,429,233	2,851,837
Total Current Liabilities	<u>5,072,514</u>	<u>2,986,067</u>	<u>8,058,581</u>
Noncurrent liabilities:			
Compensated absences (net of current portion)	360,026	111,895	471,921
Workers' comp claims payable (net of current portion)	1,498,688	602,270	2,100,958
Bonds and notes payable (net of current portion)	24,335,527	30,101,350	54,436,877
Retainage payables	290,516	-	290,516
Net pension liability	11,365,275	2,734,732	14,100,007
Total Non-Current Liabilities	<u>37,850,032</u>	<u>33,550,247</u>	<u>71,400,279</u>
Total Liabilities	<u>42,922,546</u>	<u>36,536,314</u>	<u>79,458,860</u>
DEFERRED INFLOWS OF RESOURCES			
Pension investment activity	1,244,003	299,334	1,543,337
Total Deferred Inflows of Resources	<u>1,244,003</u>	<u>299,334</u>	<u>1,543,337</u>
NET POSITION:			
Net investment in capital assets	16,053,058	66,477,517	82,530,575
Restricted for:			
Capital Projects	58,858	1,079,295	1,138,153
Community Development	837,559		837,559
Housing Assistance Program	1,219,218		1,219,218
Economic Development	138,033		138,033
Public Safety	488,871		488,871
Unrestricted (Deficit)	<u>(20,864,672)</u>	<u>3,169,240</u>	<u>(17,695,432)</u>
Total Net Position	<u>(2,069,075)</u>	<u>70,726,052</u>	<u>68,656,977</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 42,097,474</u>	<u>\$ 107,561,700</u>	<u>\$ 149,659,174</u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:								
General government	\$ 2,880,025	\$ (1,030,703)	\$ 786,419	\$ 5,347	\$ -	\$ (1,057,556)	\$ -	\$ (1,057,556)
Public safety	12,157,604	-	1,612,910	1,163,697	-	(9,380,997)	-	(9,380,997)
Public works	4,590,638	(568,828)	-	787,906	353,971	(2,879,933)	-	(2,879,933)
Recreation	926,603	-	151,695	12,932	60	(761,916)	-	(761,916)
Community development and housing	4,110,999	-	27,768	3,358,642	-	(724,589)	-	(724,589)
Interest on long-term debt	1,096,708	-	-	-	-	(1,096,708)	-	(1,096,708)
Total Governmental Activities	25,762,577	(1,599,531)	2,578,792	5,328,524	354,031	(15,901,699)	-	(15,901,699)
Business-type Activities:								
Water	5,439,523	609,634	7,429,640	-	-	-	1,380,483	1,380,483
Sewer	6,861,919	793,423	9,881,937	-	22,898	-	2,249,493	2,249,493
Property Rental	-	-	-	-	-	-	-	-
Municipal Parking Authority	571,628	-	442,071	-	-	-	(129,557)	(129,557)
Trash	1,243,380	196,474	1,304,877	-	-	-	(134,977)	(134,977)
Total Business-type Activities	14,116,450	1,599,531	19,058,525	-	22,898	-	3,365,442	3,365,442
Total Government	\$ 39,879,027	\$ -	\$ 21,637,317	\$ 5,328,524	\$ 376,929	\$ (15,901,699)	\$ 3,365,442	\$ (12,536,257)
General Revenues:								
Taxes:								
Property taxes						\$ 10,698,631		\$ 10,698,631
Franchise Fees						278,098		278,098
Other Taxes						274,942		274,942
Shared revenues - income tax						1,413,635		1,413,635
Investment earnings						56,076	7,367	63,443
Miscellaneous						178,204	497,000	675,204
Special Item - Demolition Costs						(661,280)	-	(661,280)
Transfers						(246,333)	246,333	-
Total General Revenues, Special Items, and Transfers						11,991,973	750,700	12,742,673
Change in Net Position						(3,909,726)	4,116,142	206,416
Net Position - Beginning, As Restated						1,840,651	66,609,910	68,450,561
Net Position - Ending						\$ (2,069,075)	\$ 70,726,052	\$ 68,656,977

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<i>General Fund</i>	<i>Housing Assistance Fund</i>	<i>Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
ASSETS				
Cash and cash equivalents	\$ 13,401	\$ -	\$ 761,434	\$ 774,835
Investments	282,221		288,803	571,024
Taxes receivable	1,716,511		22,935	1,739,446
Accounts receivable	314,649		568	315,217
Due from other governments	3,484,412	-	370,175	3,854,587
Interfund receivables	203,497		-	203,497
Prepaid expenditures	1,655,716	156,640	300	1,812,656
Inventory	14,739		-	14,739
Restricted cash	589,324		-	589,324
Restricted investment	1,748,097		-	1,748,097
Housing loans receivable	-		279,218	279,218
Loans receivable	-		561,552	561,552
Notes receivable	-		940,000	940,000
Total Assets	\$ 10,022,567	\$ 156,640	\$ 3,224,985	\$ 13,404,192
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 384,069	\$ -	\$ 125,124	\$ 509,193
Accrued wages	360,662		31	360,693
Interfund payables	16,318	-	218,647	234,965
Unearned revenues	119,479	156,640	56,680	332,799
Deposits payable	39,478		-	39,478
Total Liabilities	920,006	156,640	400,482	1,477,128
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues	1,747,214	-	234,895	1,982,109
Total Deferred Inflows of Resources	1,747,214	-	234,895	1,982,109
FUND BALANCES:				
Fund balances (deficit):				
Nonspendable	1,670,455		-	1,670,455
Restricted	5,326,935	-	2,780,049	8,106,984
Unassigned	357,957		(190,441)	167,516
Total Fund Balances (Deficit)	7,355,347	-	2,589,608	9,944,955
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,022,567	\$ 156,640	\$ 3,224,985	\$ 13,404,192

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

Fund Balances - Total Governmental Funds \$ 9,944,955

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	60,637,418	
Less: Accumulated Depreciation	<u>(33,416,368)</u>	27,221,050

Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Accrued interest receivable		21,351
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Net OPEB asset is not included in the governmental funds		72,703
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Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		1,448,735
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Change in pension assumptions that are deferred outflows of resources on the Statement of Net Position		164,408
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Long-term liabilities, compensated absences, are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental Bonds and Notes Payable	(25,758,131)	
Compensated Absences	(1,201,119)	
Retainage	(290,516)	
Workers Compensation	(2,556,233)	
Accrued Health Claims	(252,048)	
Net Pension liability	(11,365,275)	
Accrued Interest	<u>(257,061)</u>	(41,680,383)

Pension related deferrals		(1,244,003)
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Unavailable revenue reported on modified accrual basis of accounting in governmental funds is susceptible to full accrual on the entity-wide statements.

Unavailable Revenue		<u>1,982,109</u>
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Net Position of Governmental Activities		<u><u>\$ (2,069,075)</u></u>
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CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<i>General Fund</i>	<i>Housing Assistance Fund</i>	<i>Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:				
Taxes	\$ 11,054,597	\$ -	\$ 220,581	\$ 11,275,178
Licenses and permits	248,312			248,312
Intergovernmental	3,525,587	1,943,434	1,649,624	7,118,645
Charges for services	1,948,052		-	1,948,052
Fines and forfeitures	1,155			1,155
Interest	8,047		50,991	59,038
Miscellaneous	499,740	-	27,723	527,463
Total Revenues	<u>17,285,490</u>	<u>1,943,434</u>	<u>1,948,919</u>	<u>21,177,843</u>
Expenditures:				
Current:				
General government	1,774,562		252,598	2,027,160
Public safety	11,282,097		368,900	11,650,997
Public works	2,953,458		-	2,953,458
Recreation	806,133		-	806,133
Community development and housing	1,666,751	1,943,434	841,569	4,451,754
Capital Outlay	-		1,628,048	1,628,048
Debt service:				
Principal	778,964		530,439	1,309,403
Interest	623,022		433,381	1,056,403
Bond Issue Costs	59,900		-	59,900
Total Expenditures	<u>19,944,887</u>	<u>1,943,434</u>	<u>4,054,935</u>	<u>25,943,256</u>
Revenues in Excess of (Less Than) Expenditures	<u>(2,659,397)</u>	<u>-</u>	<u>(2,106,016)</u>	<u>(4,765,413)</u>
Other Financing Sources (Uses):				
Transfers-in	4,629,130	-	1,660,031	6,289,161
Transfers-out	(1,644,163)	-	(26,438)	(1,670,601)
Issuance of debt	5,352,339	-	-	5,352,339
Total Other Financing Sources	<u>8,337,306</u>	<u>-</u>	<u>1,633,593</u>	<u>9,970,899</u>
Special Item - Demolition Costs	<u>(661,280)</u>	<u>-</u>	<u>-</u>	<u>(661,280)</u>
Net Change in Fund Balance	5,016,629	-	(472,423)	4,544,206
Fund balance (deficit), beginning, as restated	<u>2,338,718</u>	<u>-</u>	<u>3,062,031</u>	<u>5,400,749</u>
Fund balance (deficit), ending	<u>\$ 7,355,347</u>	<u>\$ -</u>	<u>\$ 2,589,608</u>	<u>\$ 9,944,955</u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE STATEMENT OF THE GOVERNMENTAL REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 4,544,206

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlays exceed depreciation in the current year.

Expenditures for capital assets	3,422,107	
Retainage on construction projects	(1,594)	
Contributed capital assets from proprietary funds	39,320	
Donated capital assets	8,388	
Less: current year depreciation	(1,927,509)	1,540,712

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,448,735
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Change in pension assumptions are not included on the Statement of Activities	164,408
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments in the current year.

Bond and loan proceeds	(5,352,339)	
Assumption of debt from proprietary funds	(4,775,000)	
Principal payments	1,309,403	(8,817,936)

Some revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues in governmental funds.

Interest accrued on note receivable	(1,690)
Unavailable revenues	(23,108)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(45,621)	
Other post-employment benefit obligation	(31,125)	
Workers compensation	(605,549)	
Accrued interest adjustment	(40,305)	
Accrued health claims	(252,048)	
Assumption of retainage liability from proprietary funds	(129,213)	
Retainage on non-construction projects	(89,786)	
Pension expense	(1,571,406)	(2,765,053)

Change in Net Position of Governmental Activities	\$ (3,909,726)
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CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Property Rental	Non-Major Proprietary Funds	Total
ASSETS					
<u>Current Assets:</u>					
Cash and cash equivalents	\$ 3,180,659	\$ 26,985	\$ -	\$ 993,098	\$ 4,200,742
Investments	2,004,158	502,849	-	-	2,507,007
Accounts receivable	812,714	1,164,691	-	88,116	2,065,521
Due from other governments	625,433	463,075	-	31,435	1,119,943
Prepaid expenses	342,179	315,501	-	-	657,680
Inventory	636,538	324	-	-	636,862
Interfund receivables, current	16,318	15,150	-	-	31,468
Total Current Assets	<u>7,617,999</u>	<u>2,488,575</u>	<u>-</u>	<u>1,112,649</u>	<u>11,219,223</u>
<u>Noncurrent Assets:</u>					
Interfund receivables, non-current	-	-	-	-	-
Restricted investments	2,347	2,347	-	-	4,694
Land and land improvements	187,634	446,208	-	180,737	814,579
Buildings and improvements	49,715,080	81,726,606	-	5,955,756	137,397,442
Machinery and equipment	2,785,305	1,983,878	-	341,364	5,110,547
Accumulated depreciation	(21,828,793)	(24,710,840)	-	(2,543,001)	(49,082,634)
Construction in progress	271,716	1,403,666	-	-	1,675,382
Evitts Creek Water Company, capital stock	25,000	-	-	-	25,000
Total Non-Current Assets	<u>31,158,289</u>	<u>60,851,865</u>	<u>-</u>	<u>3,934,856</u>	<u>95,945,010</u>
Total Assets	<u>38,776,288</u>	<u>63,340,440</u>	<u>-</u>	<u>5,047,505</u>	<u>107,164,233</u>
DEFERRED OUTFLOWS OF RESOURCES					
Contributions to pension plan	167,915	182,497	-	7,495	357,907
Change in pension assumptions	18,560	20,172	-	828	39,560
Total Deferred Outflows of Resources	<u>186,475</u>	<u>202,669</u>	<u>-</u>	<u>8,323</u>	<u>397,467</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 38,962,763</u>	<u>\$ 63,543,109</u>	<u>\$ -</u>	<u>\$ 5,055,828</u>	<u>\$ 107,561,700</u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015
(continued)

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Property Rental	Non-Major Proprietary Funds	Total
LIABILITIES					
<u>Current Liabilities:</u>					
Accounts payable	\$ 60,000	\$ 459,778	\$ -	\$ 104,596	\$ 624,374
Accrued interest	78,759	32,561	-	8,328	119,648
Unearned revenues	1,200	-	-	-	1,200
Accrued health claims	44,959	49,124	-	5,032	99,115
Current portion of compensated absences	125,519	144,874	-	17,102	287,495
Current portion of workers' comp. claims payable	221,122	203,880	-	-	425,002
Current portion of bonds and notes payable	706,968	671,959	-	50,306	1,429,233
Total Current Liabilities	<u>1,238,527</u>	<u>1,562,176</u>	<u>-</u>	<u>185,364</u>	<u>2,986,067</u>
<u>Noncurrent Liabilities:</u>					
Compensated absences (net of current portion)	43,624	54,873	-	13,398	111,895
Workers' comp. claims payable (net of current portion)	313,349	288,921	-	-	602,270
Bonds and notes payable (net of current portion)	14,827,015	12,940,613	-	2,333,722	30,101,350
Net pension liability	1,283,021	1,394,443	-	57,268	2,734,732
Total Non-Current Liabilities	<u>16,467,009</u>	<u>14,678,850</u>	<u>-</u>	<u>2,404,388</u>	<u>33,550,247</u>
Total Liabilities	<u>17,705,536</u>	<u>16,241,026</u>	<u>-</u>	<u>2,589,752</u>	<u>36,536,314</u>
DEFERRED INFLOWS OF RESOURCES					
Pension investment activity	140,435	152,631	-	6,268	299,334
Total Deferred Inflows of Resources	<u>140,435</u>	<u>152,631</u>	<u>-</u>	<u>6,268</u>	<u>299,334</u>
NET POSITION					
Net investment in capital assets	16,694,490	48,173,645	-	1,609,382	66,477,517
Restricted	625,433	422,427	-	31,435	1,079,295
Unrestricted	3,796,869	(1,446,620)	-	818,991	3,169,240
Total Net Position	<u>21,116,792</u>	<u>47,149,452</u>	<u>-</u>	<u>2,459,808</u>	<u>70,726,052</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 38,962,763</u>	<u>\$ 63,543,109</u>	<u>\$ -</u>	<u>\$ 5,055,828</u>	<u>\$ 107,561,700</u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Property Rental	Non-Major Proprietary Funds	Total
Operating Revenues:					
Charges for Services:					
Domestic	\$ 2,473,081	\$ 5,465,057	\$ -	\$ 1,280,202	\$ 9,218,340
Industrial	2,344,144	789,179	-	3,086	3,136,409
Sanitary commissions	-	3,075,429	-	-	3,075,429
Water companies	2,397,868	-	-	-	2,397,868
Rents/Concessions	-	-	-	401,535	401,535
Connection Charges	113,360	1,245	-	-	114,605
Other	101,187	551,027	-	62,125	714,339
Total Operating Revenues	<u>7,429,640</u>	<u>9,881,937</u>	<u>-</u>	<u>1,746,948</u>	<u>19,058,525</u>
Operating Expenses:					
Personal services	2,283,257	2,614,595	-	241,181	5,139,033
Utilities	220,860	508,665	-	19,628	749,153
Supplies	306,196	498,164	-	-	804,360
Repairs and maintenance	452,598	246,226	-	45,553	744,377
Landfill fees	-	9,353	-	322,437	331,790
Depreciation	1,159,497	1,691,693	-	136,759	2,987,949
Contractual services	105,053	1,027,911	-	777,899	1,910,863
Other operating expenses	1,111,868	927,339	-	376,129	2,415,336
Total Operating Expenses	<u>5,639,329</u>	<u>7,523,946</u>	<u>-</u>	<u>1,919,586</u>	<u>15,082,861</u>
Operating Income (Loss)	<u>1,790,311</u>	<u>2,357,991</u>	<u>-</u>	<u>(172,638)</u>	<u>3,975,664</u>
Non-Operating Revenues (Expenses):					
Interest income	769	6,597	-	1	7,367
Interest expense	(395,188)	(131,396)	-	(91,896)	(618,480)
Bond issue costs	(14,640)	-	-	-	(14,640)
Total Non-Operating Income (Loss)	<u>(409,059)</u>	<u>(124,799)</u>	<u>-</u>	<u>(91,895)</u>	<u>(625,753)</u>
Net Income Before Contributions, Special Items, and Transfers	<u>1,381,252</u>	<u>2,233,192</u>	<u>-</u>	<u>(264,533)</u>	<u>3,349,911</u>
Capital contributions	-	22,898	-	-	22,898
Capital contributions to governmental activities	(39,320)	-	-	-	(39,320)
Forgiveness of Debt	497,000	-	-	-	497,000
Assumption of debt by governmental activities	-	-	4,904,213	-	4,904,213
Transfers-in	-	54,964	-	-	54,964
Transfers-(out)	<u>(484,171)</u>	<u>(1,591,259)</u>	<u>(2,586,502)</u>	<u>(11,592)</u>	<u>(4,673,524)</u>
Net Income (Loss)	<u>1,354,761</u>	<u>719,795</u>	<u>2,317,711</u>	<u>(276,125)</u>	<u>4,116,142</u>
Net position-beginning of year, as restated	<u>19,762,031</u>	<u>46,429,657</u>	<u>(2,317,711)</u>	<u>2,735,933</u>	<u>66,609,910</u>
Net position-end of year	<u>\$ 21,116,792</u>	<u>\$ 47,149,452</u>	<u>\$ -</u>	<u>\$ 2,459,808</u>	<u>\$ 70,726,052</u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS					
	Water Fund	Sewer Fund	Property Rental	Non-Major Proprietary Funds	Total
Cash Flows from Operating Activities:					
Cash receipts from customers	\$ 7,312,783	\$ 9,278,336	\$ -	\$ 1,689,385	\$ 18,280,504
Cash payments to suppliers	(2,327,943)	(3,124,329)	-	(1,443,388)	(6,895,660)
Cash payments for personal services	(2,268,317)	(2,498,838)	-	(231,233)	(4,998,388)
Other operating receipts	101,187	551,027	32,632	62,125	746,971
Net Cash Provided (Used) Operating Activities	2,817,710	4,206,196	32,632	76,889	7,133,427
Cash Flows from Noncapital Financing Activities:					
Transfers (to) other funds	(484,171)	(1,536,295)	(2,586,502)	(11,592)	(4,618,560)
Interest paid on noncapital debt	-	-	(28,477)	-	(28,477)
Demolition costs	-	-	(389,943)	-	(389,943)
Cash payments for claims and judgments	(360,000)	-	-	-	(360,000)
Loans from (to) other funds	1,433,854	(1,396,041)	-	431,500	469,313
Net Cash Provided (Used) by Noncapital Financing Activities	589,683	(2,932,336)	(3,004,922)	419,908	(4,927,667)
Cash Flows from Capital and Related Financing Activities:					
Capital grant proceeds	-	50,117	-	-	50,117
Acquisition and construction of capital assets	(618,832)	(542,837)	-	(10,954)	(1,172,623)
Proceeds from capital debt/reallocation of capital debt	1,075,991	514,159	-	565	1,590,715
Principal paid on capital debt	(587,236)	(643,369)	-	(11,639)	(1,242,244)
Interest paid on capital debt	(391,041)	(131,276)	-	(99,852)	(622,169)
Bond issue costs	(14,640)	-	-	-	(14,640)
Net Cash Provided (Used) by Capital and Related Financing Activities	(535,758)	(753,206)	-	(121,880)	(1,410,844)
Cash Flows from Investing Activities:					
Interest on investments	769	6,597	-	1	7,367
Net sale (purchase) of investments	(140)	(140)	2,972,290	-	2,972,010
Net Cash Provided (Used) by Investing Activities:	629	6,457	2,972,290	1	2,979,377
Net Increase (Decrease) in Cash and Cash Equivalents	2,872,264	527,111	-	374,918	3,774,293
Cash and Cash Equivalents at Beginning of Year	2,312,553	2,723	-	618,180	2,933,456
Cash and Cash Equivalents at End of Year	\$ 5,184,817	\$ 529,834	\$ -	\$ 993,098	\$ 6,707,749

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(continued)

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Property Rental	Non-Major Proprietary Funds	Total
Reconciliation of Cash to Statement of Net Position					
Cash balance-Statement of Net Position	\$ 3,180,659	\$ 26,985	\$ -	\$ 993,098	\$ 4,200,742
Investment balance-Statement of Net Position	2,004,158	502,849	-	-	2,507,007
Cash and Cash Equivalents-Statement of Cash Flows	<u>\$ 5,184,817</u>	<u>\$ 529,834</u>	<u>\$ -</u>	<u>\$ 993,098</u>	<u>\$ 6,707,749</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 1,790,311	\$ 2,357,991	\$ -	\$ (172,638)	\$ 3,975,664
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,159,497	1,691,693	-	136,759	2,987,949
Pension expense	158,835	172,629	-	7,090	338,554
Change in assets, deferred outflows of resources, and liabilities:					
(Increase) decrease in accounts receivable	(16,870)	(51,574)	-	4,562	(63,882)
(Increase) decrease in due from governments	-	-	32,632	-	32,632
(Increase) decrease in prepaid expenses	171,379	27,494	-	301	199,174
(Increase) decrease in inventory	(241,306)	(188)	-	-	(241,494)
(Increase) decrease in deferred outflows of resources for pension contributions	(167,915)	(182,497)	-	(7,495)	(357,907)
Increase (decrease) in accounts payable	(61,441)	66,023	-	97,957	102,539
Increase (decrease) in unavailable revenues	1,200	(1,000)	-	-	200
Increase (decrease) in accrued health claims	44,959	49,124	-	5,032	99,115
Increase (decrease) in workers' comp. claims payable	6,338	141,125	-	-	147,463
Increase (decrease) in accrued wages and compensated absences	(27,277)	(64,624)	-	5,321	(86,580)
 Net cash provided (used) by operating activities	<u>\$ 2,817,710</u>	<u>\$ 4,206,196</u>	<u>\$ 32,632</u>	<u>\$ 76,889</u>	<u>\$ 7,133,427</u>
 Noncash operating, financing, and investing activities:					
Contribution of capital assets to government	\$ (39,320)	\$ -	\$ -	\$ -	\$ (39,320)
Debt forgiveness	497,000	-	-	-	497,000
Assumption of debt by governmental activities	-	-	4,904,213	-	4,904,213
Debt proceeds not received from government	625,433	422,427	-	31,435	1,079,295
Capital contributions due from government	-	27,219	-	-	27,219

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Introduction

The City of Cumberland, Maryland (the City) was incorporated January 23, 1815. The City operates under a City-Administrator form of government per Charter Amendment #79 dated November 10, 1980 and provides the following services as authorized by its charter: public safety (police and fire), public works (maintenance, sewer, streets, water), recreation, community development and housing, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The more significant accounting policies established in GAAP and used by the City are discussed below.

B. Financial reporting entity

The reporting entity includes all of the City's departments and agencies.

GASB Statement 14 defines component units as legally separate entities that are to be included in a government's reporting entity because of the significance of their operating or financial relationships with the government. The City has determined it does not have any component units required to be included in its financial statements.

C. Basic Financial Statements

The City's basic financial statements include both (1) government-wide (reporting the City as a whole) and (2) fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, recreation, public works, community development and housing, and general administrative services are classified as governmental activities. The City's water, sewer and trash services, municipal parking authority and property rental operations are classified as business-type activities.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies – (Continued)

Government-wide financial statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts - Net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the City's functions and business-type activities (public safety, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, urban development and housing, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, or income taxes, intergovernmental revenues, interest income, etc.).

The City allocates indirect costs from the General Fund to the Water, Sewer, Trash, and certain special revenue funds. To accomplish this allocation, the General Fund charges an administrative service charge to those funds to recover the costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.). The government-wide financial statements present this allocation in a separate column entitled "Indirect Expense Allocation". In the fund financial statements described below, these charges are reported as expenses in the Water, Sewer, Trash and special revenue funds rather than in the General Fund.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies – (Continued)

Fund financial statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The only proprietary funds used by the City are enterprise funds which are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies – (Continued)

Major Funds – Fund Financial Statements

GASBS No. 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Housing Assistance Fund accounts for the administration and payment of rent to provide improved housing for low income residents of the City of Cumberland. Funding is provided by the U.S. Department of Housing and Urban Development to the State of Maryland and then passed through to the City as a sub recipient. All funding received by the City is then passed through as a sub recipient to the Allegany County Human Resources Development Commission, Inc. who administers the Section 8 Housing Choice Voucher Program. Approximately 500 individuals are assisted annually.

The City reports the following major proprietary funds:

The Water Fund accounts for the acquisition and maintenance of the water service provided to users within the boundaries of the City of Cumberland and certain outlying areas.

The Sewer Fund accounts for the acquisition and maintenance of the sewer service provided to users within the boundaries of the City of Cumberland and certain outlying areas.

The Property Rental Fund was previously used for the bond proceeds, grants and costs related to the demolition of the former Memorial Hospital building, which was the sole remaining property in the Property Rental Fund. Effective July 1, 2014, the Property Rental Fund was closed to the General Fund.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies – (Continued)

D. Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting and utilize the economic resource focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues when eligibility requirements have been met.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting and utilize the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Revenue sources subject to accrual include property taxes and other revenues such as income taxes, federal grants, and state grants. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

E. Financial Statement Amounts

Cash

Cash and cash equivalents in the statement of cash flows includes currency on hand, demand deposits and investments with maturities of three months or less.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies – (Continued)

Investments

Investments for all funds are reported at fair value, which is determined using selected bases. Short-term investments such as overnight repurchase agreements, repurchase agreements, and U.S. Treasury obligations are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments with the MD Local Government Investment Pool are reported at current value.

Inventory

Inventories are recorded at average cost which approximates market. The inventory is recorded as an asset when purchased and charged to expenditure when used.

Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items under the consumption method.

Receivables

The accounts receivable in the Water Fund, Sewer Fund and Trash Fund represent gross receivables of the respective funds with no valuation allowance made for doubtful accounts since the City has preferred status in that water, sewer and trash services are not resumed for the property until the receivables are collected. Similarly no valuation allowance is made for real estate property taxes receivable since title to real property does not pass until real estate taxes are paid in full.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “interfund receivables” and “interfund payables” in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies – (Continued)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings	40-50 years
Water and sewer system	40-50 years
Machinery and equipment	3-20 years
Improvements	10-30 years
Other infrastructure	10-75 years

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, notes payable, accrued compensated absences, workers' compensation payable, retainage payable and capital leases payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financial sources while the payment of principal and interest is reported as an expenditure. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies – (Continued)

Interfund Activity

Interfund activity is reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation in the government-wide financial statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses and are not eliminated in the process of consolidation in the government-wide financial statements. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has two items that qualify for reporting in this category, contributions to pension plan and change in pension assumptions.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and therefore, will not be recognized as an inflow of resources (revenue) until that time. The City's pension investment activity is reported under this category. The City's unavailable revenue reported in the fund financial statements also qualifies for reporting in this category. Unavailable revenue results from property tax levies and non-exchange revenue (for example, most taxes, grants, and private donations) not being collected and/or received within sixty days past year-end, being deferred and recognized as revenue in future periods when it becomes available.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies – (Continued)

Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	<u>General Fund</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Property Taxes	\$ 1,545,182	\$ 18,212	\$ 1,563,394
Governmental Grants	<u>202,032</u>	<u>216,683</u>	<u>418,715</u>
Total	<u>\$ 1,747,214</u>	<u>\$ 234,895</u>	<u>\$ 1,982,109</u>

Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. The following funds were affected:

	Total Interest Costs Incurred	Interest Charged To Expense	Interest Cost Capitalized	Interest Revenue Used to Offset Interest Costs	Net Capitalized Interest
Water Fund	\$ 410,719	\$ 395,188	\$ 15,531	\$ 57	\$ 15,474
Sewer Fund	149,826	131,396	18,430	31	18,399
Non-Major Proprietary Funds	91,896	91,896	-	-	-

Interest costs are expensed when incurred by governmental fund types where proceeds are used to finance the construction of capital assets.

Classification of Net Position – Government-wide Financial Statements

In the government-wide financial statements, net position is classified in the following categories:

Net Investment In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies – (Continued)

Restricted Net Position – This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The City's policy is generally to use restricted resources first, as appropriate opportunities arise.

Unrestricted Net Position – this category represents the net position of the City, which is not restricted for any project or other purpose.

Classification of Fund Balance – Fund Financial Statements

In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable – amounts that are not in a spendable form or are required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers through constitutional provisions, or by enabling legislation.

Committed – amounts constrained to specific purposes by the City itself through a resolution, using the highest level of decision making authority, namely, Mayor & City Council; to be reported as committed, amounts cannot be used for any other purpose unless the Mayor & City Council takes the same action to remove or change the constraint.

Assigned – amounts the City intends to use for a specific purpose; intent can be expressed by the Mayor & City Council or by an official or body to which the Mayor & City Council delegates the authority. Effective June 30, 2015, the Mayor & City Council delegated the City Comptroller the authorization to assign fund balances for specific purposes.

Unassigned – amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Mayor & City Council has provided otherwise in its commitment or assignment functions.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies – (Continued)

The Mayor & City Council adopted a fund balance policy for the General Fund. The policy states that it is the City's goal to achieve and maintain an unassigned fund balance at fiscal year end to be at least equal to 25% of the subsequent years budgeted expenditures. The policy also states that should the unassigned fund balance at fiscal year end fall below 5% of the subsequent years budgeted expenditures, the fund balance is to be rebuilt within a reasonable time frame.

Operating and Non-Operating Revenues

The statement of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues. For this purpose, operating revenues, such as water, sewer, and trash fees, result from exchange transactions associated with the principal activities of the City. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the City's principal activities (such as investment income) and from all non-exchange transactions (such as grants).

Pension

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System ("the System") and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies – (Continued)

F. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

An annual operating budget is legally adopted for the General Fund. The budget amounts in the required supplemental information were adopted on a basis consistent with generally accepted accounting principles and are as originally adopted or as amended by the City Council. During fiscal years 2015 and 2016 the Mayor & City Council approved an increase in appropriations in the amount of \$1,717,108 for fiscal year 2015.

Annual budgets for other major governmental funds are not adopted and therefore are not presented.

The City utilizes encumbrance accounting, the recording of purchase orders, in order to internally monitor annual appropriations, in the General Fund. Encumbrances outstanding at year-end are not classified as committed in the General Fund as the encumbrances do not represent enforceable commitments approved by the Mayor and City Council. Encumbrances in the General Fund total \$692,000 as of June 30, 2015.

The City follows these procedures in establishing the budgetary data reflected in the financial statements. Expenditures may not legally exceed appropriations at the function level.

1. Approximately in February, revenues are projected for the fiscal year commencing the following July 1. This information is forwarded to the individual department heads to prepare their budgets according to the projected revenues.
2. The department budgets are accumulated by the City Administrator, who prepares a formal budget and submits it to the Mayor and City Council.
3. Public hearings are conducted at the City Hall to obtain taxpayer comments.
4. Prior to July 1, the budget is legally enacted through passage of an ordinance.
5. The Mayor and City Council can approve supplemental appropriations during the year.
6. The Mayor and City Council can approve budget amendments between departments during the year.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies – (Continued)

Net Position/Fund Balance Deficit

The following funds had deficit net positions/fund balances at June 30, 2015:

Tax Increment Financing District	(11,424)
Police Grant Funds	(144,599)
Capital Projects	(21,459)

The three aforementioned funds will have their deficit fund balances restored principally with the recognition of unavailable revenues at June 30, 2015 as revenue in fiscal year 2016 or with revenues earned in future years.

Compliance with Finance Related Legal and Contractual Provisions

The City incurred no material violations of finance related legal and contractual provisions.

Note 2. Cash and Investments

Cash

As of June 30, 2015, the carrying amount of the City's deposits was \$5,564,901 and the bank balance was \$5,863,013 (including an investment in an overnight repurchase agreement in the amount of \$4,859,484).

Cash Risks and Policies

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits with financial institutions to be fully secured by collateral. The City's cash balances at financial institutions at June 30, 2015 are fully collateralized with securities held by the City's agent in the City's name.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2. Cash and Investments – (Continued)

Investments

As of June 30, 2015, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Total</u>	<u>Investment Maturity</u>		<u>Credit Rating</u>
		<u>Less than 90 Days</u>	<u>90 days to one year</u>	
Municipal Money Market Savings	\$ -	\$ -	\$ -	N/A
Maryland Local Government Investment Pool	4,830,822	4,830,822	-	AAA
U.S. Treasury Money Market	-	-	-	N/A
	\$4,830,822	\$ 4,830,822	\$ -	

Investment Risks and Policies

Credit Risk: Article 95, Section 22 of the Annotated Code of Maryland authorizes the City to invest surplus funds in bonds or in other obligations of which the full faith and credit of the United States of America are pledged, obligations of federal government agencies issued in accordance with an Act of Congress, repurchase agreements that are secured by any bond or other obligation for the payment of which the full faith and credit of the United States are pledged, any bank or banks in the State of Maryland, any savings and loan association, any building and loan association, in interest-bearing time deposit; and/or savings accounts, or in the Maryland Local Government Investment Pool. The City's investment policy limits its investments to those authorized by State statute. The City is in compliance with State statutes and its investment policy.

The City invests in the Maryland Local Government Investment Pool which is administered by PNC Bank. These approved investments are carried at cost, which approximates market and may be liquidated as needed. Due to the short-term nature of the Maryland Local Government Investment Pools' assets and liabilities, the carrying value as recorded in the statements of assets and liabilities approximates fair value. The Board for the Maryland State Treasurer's Office oversees the Maryland Local Government Investment Pool's operations.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2. Cash and Investments – (Continued)

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy indicates that the majority of the investments of the City will be on a short term basis (less than one year). However, a portion of the portfolio can contain investments with longer maturities (up to two years from date of purchase). These investments are limited to direct federal government obligations and to securities issued by U.S. Government agencies.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy specifies the following diversification by instrument:

<u>Diversification by Instrument</u>	<u>Maximum Percent of Portfolio</u>
U.S. Treasury Obligations	100%
Maryland Local Government Investment Pool	90%
Repurchase Agreements (Master Repurchase Agreement required)	70%
Collateralized Certificates of Deposit (Only Maryland Commercial Banks)	70%
U.S. Government Agency and U.S. Government-sponsored instrumentalities	50%

Additionally, no more than 70% of the City's total cash and investment balances may be placed at any one financial institution.

The City's investments meet the aforementioned policy.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy provides that investment collateral is to be held by a third party custodian with whom the City has a current custodial agreement in the City's name. All of the City's investments are collateralized with securities held by the City's agent in the City's name. The City's investment policy and state law requires collateralization of 102% of fair value of investments. The City's is in compliance with its investment policy and State law having all deposits and investments collateralized at 102% of fair value with bonds or other obligations secured by the full faith and credit of the United States.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2. Cash and Investments – (Continued)

Restricted cash is reported in the General Fund and on the Government-Wide financial statements in the amount of \$589,324. This cash was obtained from advancement of grant funding and through police seizures of cash that are restricted for public safety activities.

Restricted investments are reported in the General, Water and Sewer Funds in the amount of \$1,752,791. These investments are restricted for the acquisition of assets and improvements under various financing arrangements.

Additionally, on the Government-Wide financial statements, cash and investments of certain special revenue funds in the amount of \$2,798,334 are reported as restricted non-current assets due to the fact that these funds are designated for the construction and acquisition of non-current assets, community legacy projects, and downtown development.

Note 3. Due from Other Governments

Amounts due from other governments primarily represent tax, grant and shared revenues due from the Federal, State and local governments, as well as unspent bond proceeds held by the State of Maryland.

Note 4. Interfund Receivables, Payables and Transfers – Fund Financial Statements

Interfund receivables and payables and transfers as of June 30, 2015 are as follows:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 203,497	\$ 16,318
Non-Major Government Funds	-	218,647
Sub-total	203,497	234,965
Proprietary Funds:		
Water Fund	16,318	
Sewer Fund	15,150	-
Sub-total	31,468	-
Total Interfund Receivable/Payable-Current	\$ 234,965	\$ 234,965

All current interfund receivables are expected to be repaid within the next fiscal year. The interfund balances as of June 30, 2015 are the result of a centralized cash receipt and disbursement function. This results in funds having a deficiency or excess of cash depending on the timing of the receipt of revenues or other sources and/or the payment of expenditures (or expenses) or other uses of cash.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

*Note 4. Interfund Receivables, Payables and Transfers – Fund Financial Statements –
(Continued)*

Transfers:	Interfund Transfers-In	Interfund Transfer-Out
Governmental Funds:		
General Fund	\$ 4,629,130	\$ 1,644,163
Non-Major Governmental Funds	1,660,031	26,438
Sub-total	6,289,161	1,670,601
Proprietary Funds:		
Water Fund	-	484,171
Sewer Fund	54,964	1,591,259
Property Rental	-	2,586,502
Non-Major Proprietary Funds	-	11,592
Sub-total	54,964	4,673,524
Total Transfers (Fund Financial Statements)	\$ 6,344,125	\$ 6,344,125

Transfers to support the operations of other funds are classified as “Other Financing Sources (Uses)” in the fund statements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the Government-Wide financial statements. The significant transfers made in fiscal year 2015 are described in the following paragraph.

The City transferred \$364,853 from the Water Fund to the General Fund and \$1,591,259 from the Sewer Fund to the General Fund for payment in lieu of taxes. The City transferred \$795,909 from the General Fund to the Capital Projects Fund (a non-major governmental fund) to fund various projects. The \$2,586,502 transfer from the Property Rental Fund to the General Fund represents the transfer of the remaining unspent bond proceeds, net of remaining fund liabilities, upon the closing of the Property Rental Fund. Finally, the \$781,523 transfer-in reported in the Street Improvement Fund (a non-major governmental fund) represents a transfer of property tax revenues and other General Fund monies used to make the debt service payment in the Street Improvement Fund.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 5. Capital Assets

City of Cumberland capital assets activity for the year ended is as follows:

	Beginning Balance	Additions	Reclassifications/ Retirements	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 950,724	\$ 201,331	\$ (100)	\$ 1,151,955
Construction in progress	1,350,258	1,496,192	(227,816)	2,618,634
Total non-depreciable assets	2,300,982	1,697,523	(227,916)	3,770,589
Depreciable assets:				
Buildings and improvements	14,717,598	84,769	-	14,802,367
Machinery and equipment	7,216,851	1,166,313	(334,026)	8,049,138
Infrastructure	33,230,712	784,612	-	34,015,324
Total depreciable assets	55,165,161	2,035,694	(334,026)	56,866,829
Accumulated depreciation:				
Buildings and improvements	9,221,855	459,508	-	9,681,363
Machinery and equipment	6,346,309	392,061	(320,197)	6,418,173
Infrastructure	16,219,235	1,097,597	-	17,316,832
Total accumulated depreciation	31,787,399	1,949,166	(320,197)	33,416,368
Depreciable assets, net	23,377,762	86,528	(13,829)	23,450,461
Governmental activities capital assets, net	\$ 25,678,744	\$ 1,784,051	\$ (241,745)	\$ 27,221,050
BUSINESS-TYPE ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 368,371	\$ -	\$ -	\$ 368,371
Land improvements	446,208	-	-	446,208
Construction in progress	2,208,349	534,921	(1,067,888)	1,675,382
Total non-depreciable assets	3,022,928	534,921	(1,067,888)	2,489,961
Depreciable assets:				
Buildings and improvements	136,276,925	1,120,517	-	137,397,442
Machinery and equipment	4,797,667	433,292	(120,412)	5,110,547
Total depreciable assets	141,074,592	1,553,809	(120,412)	142,507,989
Accumulated depreciation:				
Buildings and improvements	42,106,073	2,790,405	-	44,896,478
Machinery and equipment	4,069,703	197,544	(81,091)	4,186,156
Total accumulated depreciation	46,175,776	2,987,949	(81,091)	49,082,634
Depreciable assets, net	94,898,816	(1,434,140)	(39,321)	93,425,355
Business-type capital assets, net	\$ 97,921,744	\$ (899,219)	\$ (1,107,209)	\$ 95,915,316

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 5. Capital Assets – (Continued)

Depreciation expense is charged to functions as follows:

Governmental Activities		Business-Type Activities	
General Government	\$ 190,790	Water	\$ 1,159,497
Public Safety	348,002	Sewer	1,691,693
Public Works	1,171,543	Municipal Parking	136,759
Recreation	144,343	Property Rental	0
Urban Development & Housing	72,831		
	<u>\$ 1,927,509</u>		<u>\$ 2,987,949</u>

Assets costing \$60,977 with accumulated depreciation of \$21,657 were transferred from the proprietary funds to the governmental funds. The net effect of the transfer of assets results in a difference of \$21,657 between the additions reported in the accumulated depreciation section of the governmental activities and the governmental activities depreciation expense.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6. Long Term Liabilities

Long-term Liability Activity

Long term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions/ Reallocation of Debt	Reductions/ Reallocation of Debt	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General Obligation Bonds	\$15,677,315	\$10,127,339	\$ (1,084,481)	\$24,720,173	\$1,229,641
Notes and capital leases	1,262,880	-	(224,922)	1,037,958	192,963
Total bonds, notes and leases payable	16,940,195	10,127,339	(1,309,403)	25,758,131	1,422,604
Compensated absences	1,155,498	1,849,073	(1,803,452)	1,201,119	841,093
Retainage payable	69,923	220,593	-	290,516	-
Workers comp payable	1,950,684	946,508	(340,959)	2,556,233	1,057,545
Pension liability	\$12,530,270	-	(1,164,995)	11,365,275	-
Governmental activities long-term Liabilities	\$32,646,570	\$13,143,513	\$ (4,618,809)	\$41,171,274	\$3,321,242
Business-type Activities:					
Bonds and notes payable:					
General Obligation Bonds	\$35,861,554	\$ 2,176,450	\$ (6,510,598)	\$31,527,406	\$1,426,056
Notes and capital leases payable	6,825	-	(3,648)	3,177	3,177
Total bonds and notes payable	35,868,379	2,176,450	(6,514,246)	31,530,583	1,429,233
Compensated absences	415,524	573,327	(589,461)	399,390	287,495
Retainage payable	155,484	-	(155,484)	-	-
Workers comp payable	879,809	380,373	(232,910)	1,027,272	425,002
Pension liability	3,015,055	-	(280,323)	2,734,732	-
Business-type activities long-term liabilities	\$40,334,251	\$ 3,130,150	\$ (7,772,424)	\$35,691,977	\$2,141,730

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6. Long Term Liabilities – (Continued)

Long-Term debt payable at June 30, 2015 is comprised of the following General Obligation Bonds:

<i>\$400,000 1999 Water Fund bond due in annual installments of \$20,173 through February, 2029; interest at 2.39%</i>	226,544
<i>\$5,000,000, 1999 Sewer Fund bond authorized due in annual installments of \$332,120 through February, 2021; interest at 2.39%</i>	1,754,797
<i>\$6,000,000, 2001 Water Fund bond due in semi-annual installments of \$5,124 and \$99,934 through February, 2032; interest at 1.50%, \$1,200,000 was forgiven March, 2011</i>	2,979,564
<i>\$1,400,000, 2002 Merchant's Alley Public Improvement Bonds due in installments of \$26,800 to \$136,877 through August, 2016; interest at 4.030%</i>	215,387
<i>\$220,007, 2005 Water Quality State Revolving Fund Loan due in annual installments of \$12,887 through February, 2024; interest at 0.4%</i>	109,973
<i>\$2,485,000, 2005 Drinking Water State Revolving Fund Loan due in annual installments of \$72,776 through February, 2034; interest at 0.4%, \$497,000 was forgiven November, 2014.</i>	1,328,951
<i>\$480,000, 2005 Tax Incremental Financing bond due in semi-annual installments of \$16,400 to \$28,600 through May, 2020; interest at 5.0%</i>	160,000
<i>\$341,035, 2008 Water Quality State Revolving Fund Loan due in semi-annual installments of \$19,930 to \$21,248 through February, 2028 at 1.10%</i>	240,187
<i>\$4,665,000, 2009 GOB Pension Contribution Bonds due in annual installments of \$310,542 to \$570,444 through June, 2036; interest at 5.400% to 6.625%</i>	4,665,000
<i>\$9,070,000, 2008 GOB (Street Imp Fund) due in annual installments of \$375,000 to \$750,000 through September, 2028; interest at 4.0% to 5.0%</i>	7,900,000
<i>\$2,068,475, 2009 Maryland Water Quality Financing Administration bond due in annual installments of \$78,949 to \$110,474 through February, 2029; interest at 0.00%</i>	1,515,105
<i>\$6,000,000, 2009 ARRA Maryland Water Quality Financing Administration Bond; \$6,000,000 to be forgiven October, 2019.</i>	6,000,000
<i>\$3,657,700, 2009 Water Quality Bond due in annual installments of \$192,458 through February, 2030 at 0.00%</i>	2,582,364

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6. Long Term Liabilities – (Continued)

<i>\$11,415,000, 2011 Maryland Community Development Administration Bond due in annual installments of \$464,438 to \$1,227,787 through June, 2032 at 2.0% to 5.0%.</i>	<i>11,265,000</i>
<i>\$152,000, 2012 Maryland Water Quality Financing Administration Bond due in annual installments of \$9,099 to \$10,168 through February, 2033 at 0.90%</i>	<i>112,295</i>
<i>\$1,515,491, 2012 Maryland Community Development Administration Bond due in annual installments of \$80,340 to \$101,747 through May 2032; Interest at 0.61% to 3.42%.</i>	<i>1,322,912</i>
<i>\$2,680,000 2013 Tax-Exempt Refunding Bonds due in annual installments of \$280,000 to \$320,000 through November 2021; interest at 2.00% to 2.40%.</i>	<i>2,115,000</i>
<i>\$5,040,000 2013 Taxable Redevelopment and Refunding Bonds due in annual installments of \$235,000 to \$975,000 through November 2032; interest at 0.75% to 5.31%.</i>	<i>4,540,000</i>
<i>\$7,520,000 2014 Maryland Community Development Administration Bond due in annual installments of \$305,500 to \$471,500 through May 2034; interest at 0.2% to 3.60%.</i>	<i><u>7,214,500</u></i>
	<i><u>\$56,247,579</u></i>

Effective July 1, 2014, the Property Rental Fund operations were merged into the General Fund. Accordingly, the General Fund assumed \$4,775,000 in debt service obligations, specifically the 2013 Taxable Redevelopment and Refunding Bonds.

In August 2014, the City issued Local Government Infrastructure Bonds through the Community Development Administration in the amount of \$7,520,000 with interest rates ranging from .2% to 3.6%. These bonds have 10, 15 and 20 year terms and mature in May 2034, with principal payments ranging from \$305,500 to \$471,500, due annually each May 1st, beginning May 1, 2015. The proceeds of the bond issuance are for the purpose of (a) water and sewer system improvements, (b) facility and property improvements, (c) information system improvements and equipment, (d) street improvements, (e) acquisition of new and/or replacement vehicles and equipment, (f) funding a portion of a capital reserve fund, and (g) bond issuance costs. The unspent portion at June 30, 2015 was \$3,980,285 which was being held in an escrow account by the State of Maryland.

In July 2012, the City authorized \$152,000 in Maryland Water Quality Bonds financed through the Maryland Water Quality Financing Administration. The amount advanced under these bonds was \$112,295 at June 30, 2015.

In December 2012, the City authorized \$1,515,491 in Local Government Infrastructure Bonds, 2012 Series B-1 and 2012 Series B-2 financed through the Maryland Community Development Administration. The unspent portion at June 30, 2015 was \$117,465 which was being held in an escrow account by the State of Maryland.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6. Long Term Liabilities – (Continued)

Notes and capital leases payable

\$1,400,000 (Face amount and cost of expense), Section 108 loan due in semi-annual installments of \$40,446 to \$116,538 through August 2028; interest at 2.62%-5.42% 940,000

\$329,550 (Face amount and cost of asset/expense), 2011 equipment lease due in semi-annual installments of \$35,109 through March 2016; interest at 2.62% 52,904

\$263,792 (Face amount and cost of asset), copier equipment lease due in monthly installments of \$4,925 through May 2016; interest at 0.4% 48,231

\$1,041,135

Debt Maturity

Debt service requirements at June 30, 2015 were as follows:

Governmental Funds						
Year	Bonds		Notes & Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	1,229,641	1,036,792	192,963	47,322	1,422,604	1,084,114
2017	1,352,763	1,005,797	50,000	41,842	1,402,763	1,047,639
2018	1,314,525	967,719	55,000	39,468	1,369,525	1,007,187
2019	1,317,120	925,137	55,000	36,944	1,372,120	962,081
2020	1,364,802	881,992	55,000	34,334	1,419,802	916,326
2021-2025	7,402,939	3,615,083	325,000	124,858	7,727,939	3,739,941
2026-2030	6,778,459	1,970,620	304,995	33,521	7,083,454	2,004,141
2031-2035	3,543,030	654,709	-	-	3,543,030	654,709
2036-2040	416,894	27,628	-	-	416,894	27,628
	<u>\$24,720,173</u>	<u>\$11,085,477</u>	<u>\$1,037,958</u>	<u>\$ 358,289</u>	<u>\$25,758,131</u>	<u>\$11,443,766</u>

Proprietary Funds						
Year	Bonds		Notes & Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	1,426,056	654,227	3,177	67	1,429,233	654,294
2017	1,779,250	632,074	-	-	1,779,250	632,074
2018	1,887,819	597,440	-	-	1,887,819	597,440
2019	1,773,454	558,603	-	-	1,773,454	558,603
2020	7,800,316	526,744	-	-	7,800,316	526,744
2021-2025	8,180,504	2,027,088	-	-	8,180,504	2,027,088
2026-2030	6,185,288	989,307	-	-	6,185,288	989,307
2031-2035	2,376,605	243,829	-	-	2,376,605	243,829
2036-2040	118,114	7,815	-	-	118,114	7,815
	<u>\$ 31,527,406</u>	<u>\$ 6,237,127</u>	<u>\$ 3,177</u>	<u>\$ 67</u>	<u>\$31,530,583</u>	<u>\$ 6,237,194</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 7. Compensated Absences

Governmental standards require employers to accrue a liability for certain future vacation, sick, and other leave benefits provided the following conditions are met:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- b. The obligation relates to rights that vest.
- c. Payment of the compensation is probable and not contingent on a specific event outside the control of the City or the employee.
- d. The amount can be reasonably estimated.

City employees earn vacation time depending upon their length of service to the City and are eligible to use this vacation time in the year subsequent to the year it is earned.

Prior to fiscal year 2010, City employees earned fifteen sick leave days per year with no maximum accumulation ceiling. As of June 30, 2015, only Local Union 553 (general trades, labor, technical, clerical staff) and Local Union 1715 (fire department) members are entitled to a maximum payout of 86 days of sick leave days accumulated upon retirement until a new contract is negotiated to replace the ones that expired on June 30, 2010 (Local Union 1715) and June 30, 2011 (Local Union 553). These contracts are expected to be negotiated to change this benefit language for the contracts that begin on July 1, 2017. Therefore it is expected that if an employee in one of these unions is not eligible to retire by June 30, 2017, this benefit will not be available to that employee.

All vacation pay and unpaid sick leave to which employees are entitled have been accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if it has matured (for example, as a result of employee resignations and retirements). The estimate of the accrued sick leave and vacation liabilities reported in the governmental activities section of the government-wide financial statements is \$1,201,119. Accrued sick leave and vacation liabilities for the City's proprietary funds in the amount of \$399,390 have been recorded in both the fund financial statements and the government-wide financial statements.

Liabilities for compensated absences are liquidated using resources from the fund in which the employee terminating service previously charged his or her salary and benefit costs. Governmental funds utilize the General Fund to pay these benefit costs, while proprietary obligations are paid from the Water, Sewer and MPA Funds.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8. Fund Balance - Fund Financial Statements

As of June 30, 2015, fund balances reported in the fund financial statements are composed of the following:

	General <u>Fund</u>	Housing Assistance <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable:				
Prepaid Expenditures	\$ 1,655,716	\$ -	\$ -	\$ 1,655,716
Inventories	14,739	-	-	14,739
Restricted:				
Public Safety	350,007	-	-	350,007
CDBG	-	-	940,000	940,000
Housing Assistance	-	-	279,218	279,218
Capital Outlay	4,737,611	-	797,151	5,534,762
Special Taxing District	-	-	149,457	149,457
Community Develop.	239,317	-	-	239,317
Community Legacy	-	-	614,223	614,223
Unassigned	357,957	-	(190,441)	167,516
Total Fund Balances	<u>\$ 7,355,347</u>	<u>\$ -</u>	<u>\$ 2,589,608</u>	<u>\$ 9,944,955</u>

Note 9. Property Taxes

Taxes are levied July 1 of each year. State law mandates owner-occupied residential property owners may elect to pay real property taxes under a semi-annual payment schedule. The first installment is due by September 30, and the second installment is due December 31, of the tax year without interest. A lien for property taxes attaches to the property at the time of billing, but the enforcement of the lien does not occur until the City initiates such action which historically has not been until the property taxes have been unpaid for a period of three years.

General Fund

As permitted by the City Charter, as amended, the City levied taxes in fiscal year 2015 at a rate of \$0.9654 per \$100 of assessed valuation on real property which is assessed at full market value. The present adjusted assessed valuation of real property is \$866 million.

The City levied taxes at a rate of \$2.648 per \$100 of assessed valuation on personal property which is assessed at depreciated value.

In fiscal year 2009, the City increased tax rates by \$0.0175 for real property and \$0.06 for personal property in order to partially fund the principal and interest payments on the 2008 general obligation street improvement bonds.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 9. Property Taxes – (Continued)

Special Taxing District

The City is permitted by City Charter Amendment Resolution number 81 dated March 10, 1981 to levy taxes on certain real property located within the two zones of the special taxing district to provide funds for the payment of the costs of operation of a pedestrian mall within the central business district including debt service payments on the portion of general obligation bonds payable used to finance the construction of the mall.

The two zones within the special taxing districts are identified as the Primary and Secondary zones.

Primary Zone

The tax rate in the primary zone for the year ended June 30, 2015 was \$0.456 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$27 million.

Secondary Zone

The tax rate in the secondary zone for the year ended June 30, 2015 was \$0.268 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$28 million.

Tax Incremental Financing District

The City is permitted by Resolution dated September 21, 2004 to levy taxes on certain real property located within a special taxing district known as the “Shades Lane Development District” to provide funds for the payment of debt service on special obligation bonds issued to finance capital improvements within the district. The tax rate for the property within this district was \$0.65 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$2,099,000.

Note 10. Pending Claims and Litigation

A local union instituted court proceedings to compel the City to participate in arbitration regarding two grievances the union filed relative to a document dated February 8, 2010 and signed by the local union’s representative and the then-serving City Administrator. The union claimed the document to be contractually binding upon it and the City. The City denied that contention and refused to arbitrate. The union asserts certain wage enhancements and personal sick days were not properly accounted for by the City. The union has not specified a specific claim, and the City cannot estimate the potential loss or a range of potential loss based on the assertions made.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 10. Pending Claims and Litigation (Continued)

There are several pending lawsuits in which the City is involved. Management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City at June 30, 2015.

Note 11. Contingent Liabilities

The City participates in a number of federal and state assisted grant programs, principal of which are the Community Development Block Grant and Section Eight housing programs. These programs are subject to program compliance audits by the grantors. Accordingly, the City's compliance with applicable grant requirements may not be established until some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 12. Commitments

The City has active construction projects as of June 30, 2015. The projects include widening and construction of existing streets, demolition projects, and the construction of additional wastewater treatment facilities. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Change Orders</u>	<u>Remaining Commitment</u>	<u>Fund</u>
CSO Storage Facility at WWTP Final Design	\$1,403,003		\$412,027	Sewer
Demolition of Memorial Ave Design	\$175,000		\$6,742	General
Demolition of Memorial Ave Demolition	\$1,474,900	\$572,545	\$239,166	General
Baltimore Avenue Construction	\$1,398,466	\$303,213	\$238,455	Street Improvement
Sodium Hypochlorite Conversion Feasibility Study	\$45,000		\$8,373	Water
East Side School Demolition Engineering	\$32,937		\$12,871	General
Amtrak Trail Connection	\$92,789		\$50,469	Community Legacy
City Hall Sidewalk Improvements	\$84,800		\$84,800	General
Mill, Patch Work on Various Streets	\$225,000	\$1,000,000	\$508,444	Capital Projects
Total	<u>\$4,931,895</u>	<u>\$1,875,758</u>	<u>\$1,561,347</u>	

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 12. Commitments – (Continued)

The State of Maryland had previously filed suit against the City of Cumberland and neighboring jurisdictions which use the Cumberland Wastewater Treatment Plant seeking a court-enforceable timetable for correcting the City's Combined Sewer Overflow problem. On November 6, 2001, the City executed a Consent Decree and Judgment in the litigation brought by the Maryland Department of the Environment. The Consent Decree and Judgment requires the City to correct the Combined Sewer Overflow problems in phases over 20 years after the acceptance of all of the Long-Term Control Plans (LTCP) from LaVale, Allegany County, and the City of Frostburg. Those plans have been now accepted by MDE, and the City was required to revise its LTCP. The revised plan, submitted to MDE on February 3, 2006, added the Evitts Creek Pump Station and Conveyance to the Phase 1A (Mill Race sewer relocation and screens) and Phase 1B (parallel pipelines from Mill Race to a storage facility). To date Phase 1A is complete and part of Phase 1B was completed in FY '06. The LTCP includes an estimate of future project costs. The estimated cost is \$56,490,000, and the work is required to be completed by 2026. The work is expected to be funded through EPA Grants, MDE Grants, and MDE SRF Loans. Phase 1 work has been delayed because of delays associated with funding of the rewatering of the C&O Canal. In FY'07, it was decided to transfer all remaining EPA and MDE Grant Funds from the Phase 1 project to the Evitts Creek Pump CSO Project which was completed in FY'09. The force main and gravity sewer portions (Phase II) of the Evitts Creek CSO Project was awarded in FY'10 and was completed in FY'11. The Cedar Street CSO line under CSX was also given priority, and all of the City's EPA funding for CSO work was committed to that project rather than lose it with the potential changes to the Federal Budget in 2010. Construction was completed in FY'13. A portion of that line under CSX had to be removed from the work plan because of high cost; however, the City plans to do a rehabilitation project of the existing lines under the tracks in the future. The City has updated the LTCP and plans to include CSO Storage and that project went into the design phase in FY'14. The CSO Storage Facility is estimated to cost \$30,000,000, and the City is hopeful that funding will be made available in July 2016. The City is also planning to determine the CSO effects on the Potomac River and show that all of the additional \$60,000,000 additional work included in the CSO LTCP may not be necessary. That effort will be done in accordance with EPA Guidelines and should show that a lesser amount of work will be required.

Note 13. Risk Management

The City is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. The City retains no risks for claims up to the maximum amount of the policy except for deductible amounts. The City did not

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 13. Risk Management – (Continued)

have losses in excess of its insurance coverage for the current and prior fiscal years 2013 & 2012. However, in fiscal year 2014, the City incurred damages and judgments in the amount of \$360,000 in the Water Fund in excess of insurance coverage. This expense was reported as a non-operating expense of the Water Fund in fiscal year 2014.

Worker's Compensation

The City's insurance carrier provides, for a premium, a high-deductible worker's compensation insurance policy to the City under a Prefunded Deductible Program. The City's per claim deductible is \$350,000 with a deductible aggregate ranging from \$1,758,000 to \$1,985,000 depending on the policy year. As of June 30, 2015, the unspent, prefunded amount paid to the insurance carrier has been included in the financial statements as a prepaid expense.

- The City estimated the claims liability reported in the various funds at June 30, 2015. It is based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Liabilities for claims are liquidated using resources from the fund in which the injured employee previously charged his or her salary and benefit costs, using a five year average of claims paid.

Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessary result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The workers' compensation claims liability is presented at its net present value of \$3,583,505 (a non-discounted amount of \$4,009,259) and is discounted at a 4.0% annual rate. The following represents the change in approximate aggregate liabilities for the City from July 1, 2012 to June 30, 2015:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2013	\$ 2,579,011	\$ 975,334	\$ 681,480	\$ 2,872,865
2014	2,872,865	401,330	443,702	2,830,493
2015	2,830,493	1,426,254	673,242	3,583,505

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 13. Risk Management – (Continued)

Self-Insured Health Care

Until December 1, 2014, employee health benefits were covered by commercial insurance purchased by the City, with no risk of loss retained by the City. Effective December 1, 2014, the City is self-insured for hospitalization and medical benefits provided to its employees through its membership in the Maryland Local Government Health Cooperative (Cooperative) which was established by the Maryland Local Government Insurance Trust (LGIT). LGIT is a self-insured public entity risk pool, which is owned and directed by the local governments that subscribe to its coverage's and operates under the terms of a Trust Agreement. The Cooperative was established as a self-insured health plan for the purpose of providing group health benefits to its members' employees and eligible dependents. The plan is administered by Benecon Group, Inc. (Benecon).

Benecon submits invoices monthly to the City for their share of the premiums payable and their pro rata share of the costs and expenses of administering the Cooperative. The City has no responsibility or liability for, and cannot be assessed for, any deficit that may occur in funding the plan benefits or the Cooperative. As part of the Cooperative agreement, the City has stop-loss policies in place for individual participant claims in excess of \$55,000 per year and the aggregate annual participant claims in excess of \$1,675,771.

The third-party actuary estimated the non-discounted claims liability at June 30, 2015. It is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Liabilities for claims are liquidated using resources from the fund in which the covered employees previously charged his or her salary and benefit costs. Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Changes in the balance of claims payable relating to the funds for fiscal year 2015 are as follows:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2015	\$ -	\$ 2,194,534	\$ 1,843,371	\$ 351,163

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 14. Pension and Retirement Systems

Defined Benefit Plans

Plan Description

The employees of the City are provided retirement benefits through the Maryland State Retirement and Pension System (the System) which administer the Employees' Retirement System (established October 1, 1941 and closed for new entrants on December 31, 1979), the Employees' Pension System (established January 1, 1980), and the Law Enforcement Officers' Pension System (LEOPS) for eligible law enforcement officers (effective July 1, 2008), under the provisions of State Personnel and Pension Article 73B of the Annotated Code of Maryland.

These plans are cost-sharing multiple-employer defined benefit plans, providing retirement, disability, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. Responsibility for the organization and administration of the Systems is vested in the Board of Trustees of the Maryland State Retirement and Pension Systems. The System issues a publicly available financial report which includes financial statements and supplementary information. The report may be obtained by writing to the following:

Maryland State Retirement Agency
120 E. Baltimore Street
Baltimore, Maryland 21202-6700

Benefits Provided

All plans provide retirement, disability, and death benefits. For all individuals who are members of the Employees' Retirement System on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For all individuals who are members of the Employees' Pension Systems on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' AFC and the actual number of years of accumulated creditable service. For any individual who becomes a member of the Employee's Pension System after July 1, 2011, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. An individual who is a member of the Employees' Pension System on or before June 30, 2011, is

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 14. Pension and Retirement Systems – (Continued)

eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least 65 and has accrued at least 10 years of eligibility service. A member of the Law Enforcement Officers' Pension System (LEOPS) is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age. Employees who are permanently and totally disabled as the result of an accident occurring in the line of duty are eligible for disability regardless of length of service. Five years of service is required for non-service related disability eligibility. Disability benefits are determined as a percentage of AFC. Death benefits are equal to the member's annual salary as of the date of death plus all member contributions and interest.

In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation.

Contributions

The City elected to join the Alternate Contributory Pension Selection (ACPS) of the Maryland State Retirement System (MSRS) which is governed by law, including Division II of the State Personnel and Pension Article of the Annotated Code of Maryland and Title 22 of the Code of Maryland Regulations. Employees covered under the ACPS were required to contribute 7% of their earnable compensation during fiscal year 2015. The City is required to contribute at an actuarially determined rate. The current rate is 6.20% of covered payroll for the Employees Retirement and Pension System and 5.0% of covered payroll for the Employees Retirement System. The City also is required to pay an ACPS surcharge at a rate of 7.44% of covered payroll. The contribution requirements of plan members and the City of Cumberland are established and may be amended by the System's Board of Trustees. The City's contributions for the years ended June 30, 2015, 2014, and 2013 were \$1,110,294, \$1,114,007, \$1,050,638 and respectively, equal to the required employer contributions for each year.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 14. Pension and Retirement Systems – (Continued)

Employees covered under the LEOPS contribute 7% of their earnable base salary in excess of the social security wage base. The City is required to contribute an actuarially determined rate. The current contribution rate for the City is 30.45% of covered payroll for the pension system. The City of Cumberland's contribution to LEOPS for the years ended June 30, 2015, 2014, and 2013 were \$696,348, \$737,495, and \$652,063 respectively, equal to the required employer contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported a liability of \$14,100,007 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the City's proportion was 0.0794 percent.

For the year ended June 30, 2015, the City recognized pension expense of \$1,780,935. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 203,968	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,543,337
City contributions subsequent to the measurement date	1,806,642	-
Total	<u>\$ 2,010,610</u>	<u>\$ 1,543,337</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 14. Pension and Retirement Systems – (Continued)

The City reported \$1,806,642 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$(334,842)
2017	(334,842)
2018	(334,842)
2019	(334,843)
2020	-
Thereafter	-
Total	<u><u>\$(1,339,369)</u></u>

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.90% general, 3.4% wage
Salary Increases	3.40% to 11.9%, including inflation
Discount Rate	7.65%
Investment Rate of Return	7.65%
Mortality	RP-2000 Combined Healthy Mortality Table projected to the year 2025

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 14. Pension and Retirement Systems – (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public Equity	35%	4.7%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.5%
Cash	<u>1%</u>	1.4%
Total	100%	

Discount Rate

A single discount rate of 7.65% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.65%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contributions rate and that employer contributions will be made at contractually required rates (actuarially determined) and contributions from the State will be made at current statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65 percent) or 1-percentage point higher (8.65 percent) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
City's proportionate share of the net pension liability	\$12,226,017	\$14,100,007	\$5,348,957

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued Maryland State Retirement System's financial report.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 14. Pension and Retirement Systems – (Continued)

Deferred Compensation Plan/Defined Contribution Plan

The City allows employees to defer portions of their compensation, up to the applicable Internal Revenue Code limits, into a trust (The City of Cumberland Deferred Compensation Plan and Trust), which is a separate entity self-trusted by the City under Internal Revenue Code Section 457(b). The trust owns all plan assets for the exclusive benefit of the participants and their beneficiaries. For the year ended June 30, 2015, employee contributions totaled \$158,412 to this plan.

The City has also established a defined contribution plan under the Internal Revenue Code Section 401(a) entitled “City of Cumberland 401(a) Match Plan” for employer contributions. Except for contributions made pursuant to certain employment agreements, employer contributions are discretionary. The City contributed \$13,164 in accordance with employment agreements into the deferred compensation plan for the current year. The City also contributed \$66,010 into this deferred compensation plan for employees who elected to opt-out of the City health insurance plan.

The City Administrator, City Solicitor and City Comptroller are trustees of both plans and administer both plans. Plan provisions and contribution requirements are established by and may be amended by the City. Employees are 100% vested immediately in contributions from all sources and no forfeitures exist for both plans.

Note 15. Post-Employment Health Care Benefits

Plan Description. The City of Cumberland sponsors a single-employer post-retirement medical plan administered by the City of Cumberland. The Plan provides medical, prescription, and death benefits to eligible retirees and their spouses. The authority under which benefit provisions are established or may be amended rests with the Mayor & City Council of Cumberland, Maryland. The Plan does not issue a publicly available report.

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by the Mayor & City Council of Cumberland, Maryland. The required contribution is based on projected pay-as-you-go financing requirements. Certain retirees are offered the option to maintain health insurance after they retire (including subsidized beneficial coverage), until they reach age 65. Retirees must pay 50% of the COBRA equivalent cost of this benefit for their coverage and 100% of the COBRA equivalent cost of the beneficial coverage. After 65, the City pays for the retirees “standard” Medicare Supplement (excluding

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 15. Post-Employment Health Care Benefits – (Continued)

drugs) and the retiree must pay for any additional benefits (i.e. Major medical and/or beneficial coverage). These benefits were phased out by June 30, 2011 except for a small group of grandfathered retirees and members of two local unions. Amortization periods have been adjusted to reflect the cessation of the City's supplementation of these post-retirement benefits.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-retirement (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 2.40 percent of annual covered payroll. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB Obligation.

Components of Net OPEB Obligation

Annual Required Contribution	\$ 148,743
Interest on Net OPEB Obligation	(4,672)
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	\$144,071
Contributions Made	(112,946)
Increase/(Decrease) in Net Obligation	\$31,125
Net OPEB Obligation (Asset), 7/1/14	(103,828)
Net OPEB Obligation (Asset), 6/30/15	\$ (72,703)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2013	\$103,255	139.8%	\$(117,272)
6/30/2014	\$136,320	90.1%	\$(103,828)
6/30/2015	\$144,071	78.4%	\$(72,703)

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 15. Post-Employment Health Care Benefits – (Continued)

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$142,338 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$142,338. The covered payroll (annual payroll of active employees covered by the plan) was \$6,193,449 and the ratio of the UAAL to the covered payroll was 2.30%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The last complete actuarial valuation was performed as of July 1, 2012 and the results were “rolled forward” to July 1, 2014 using established actuarial techniques and methods. In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a rate based on the employer’s own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after three years. Both rates included a 5% inflation assumption. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2014 was 2 years to reflect the pending cessation of the Plan for all but a few grandfathered retirees. No OPEB benefits are based on future salary levels.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 16. Restatement of Fund Balance and Net Position

Effective for fiscal year 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. Additionally, the City determined that amounts previously reported as unearned revenue and unavailable revenue in two Non-major Governmental Funds, the Community Legacy Fund and the CDBG Fund, should be presented as a restriction of fund balance rather than as a liability and deferred inflow of resources. This reclassification resulted in an increase in the City's Non-Major Governmental Funds beginning fund balance in the amount of \$1,447,178, as well as an increase in the City's Governmental Activities beginning net position of \$477,178. In summary, the restatements had the following effect on the City's net position and fund balance:

	<u>Water Fund</u>	<u>Sewer Funds</u>	<u>Non-Major Proprietary Funds</u>
Net Position June 30, 2014, as previously stated	\$ 21,008,092	\$ 47,783,930	\$ 2,791,551
Recognition of net pension liabilities	(1,414,537)	(1,537,380)	(63,138)
Recognition of deferred outflow of resources	168,476	183,107	7,520
Reclassification unearned revenue	-	-	-
Net Position June 30, 2014, as restated	<u>\$ 19,762,031</u>	<u>\$ 46,429,657</u>	<u>\$ 2,735,933</u>

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net Position June 30, 2014, as previously stated	\$ 12,401,345	\$ 69,265,862
Recognition of net pension liabilities	(12,530,270)	(3,015,055)
Recognition of deferred outflow of resources	1,492,398	359,103
Reclassification of unearned revenue	477,178	-
Net Position June 30, 2014, as restated	<u>\$ 1,840,651</u>	<u>\$ 66,609,910</u>

	<u>Non-Major Governmental Funds</u>
Fund Balance June 30, 2014, as previously stated	\$ 1,614,853
Reclassification of unavailable revenues and unearned revenues.	1,447,178
Fund Balance June 30, 2014, as restated	<u>\$ 3,062,031</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 17. Subsequent Events

The City has evaluated, for possible financial statement disclosure, subsequent events through December 18, 2015, the date which the financial statements were available to be issued, and determined the following to be subsequent events.

In August 2015, the City issued Local Government Infrastructure Bonds through the Community Development Administration in the amount of \$3,226,875 with interest rates ranging from 3.18% to 5.35%. These bonds have 10 and 20 year terms and mature in April 2035, with principal payments ranging from \$116,991 to \$192,000, due annually each April 1st, beginning April 1, 2016. The use of the bond proceeds is restricted to: (a) equipment purchases (\$612,000), (b) facility, street, water and sewer improvements (\$2,545,000), and (c) development costs, including bond issuance costs (\$69,875).

In December 2015, the City approved an order to authorize the issuance and sale of \$2,500,000 in general obligation bonds to be used for the public purpose of financing, reimbursing, or refinancing certain economic development costs.

CITY OF CUMBERLAND, MARYLAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
Revenues:	Original	Final		
Taxes	\$ 10,675,204	\$ 10,675,204	\$ 11,054,597	\$ 379,393
Licenses and permits	172,700	172,700	248,312	75,612
Intergovernmental	2,974,178	2,974,178	3,525,587	551,409
Charges for services	1,502,511	1,502,511	1,948,052	445,541
Fines and forfeitures	2,000	2,000	1,155	(845)
Interest	2,500	2,500	8,047	5,547
Miscellaneous	815,940	815,940	499,740	(316,200)
Total Revenues	16,145,033	16,145,033	17,285,490	1,140,457
Expenditures:				
Current:				
General government	2,064,566	2,100,138	1,774,562	325,576
Public safety	10,379,185	11,290,000	11,282,097	7,903
Public works	2,795,689	2,960,000	2,953,458	6,542
Recreation	921,959	921,959	806,133	115,826
Community development and housing	1,167,984	1,670,000	1,666,751	3,249
Debt Service:				
Principal	1,051,877	780,000	778,964	1,036
Interest	308,729	625,000	623,022	1,978
Bond issue costs	-	60,000	59,900	100
Total Expenditures	18,689,989	20,407,097	19,944,887	462,210
Revenues in Excess of (Less Than) Expenditures	(2,544,956)	(4,262,064)	(2,659,397)	1,602,667
Other Financing Sources (Uses):				
Transfers-in	1,698,418	1,698,418	4,629,130	2,930,712
Transfers-out	(955,780)	(1,645,000)	(1,644,163)	837
Financing proceeds	1,018,807	5,400,000	5,352,339	(47,661)
Total Other Financing Sources	1,761,445	5,453,418	8,337,306	2,883,888
Special Item - Demolition costs	-	(661,500)	(661,280)	220
Net Change in Fund Balances	\$ (783,511)	\$ 529,854	5,016,629	\$ 4,486,775
Fund balance, beginning, as restated			2,338,718	
Fund balance, ending			<u>\$ 7,355,347</u>	

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE
JUNE 30, 2015

- (1) An annual budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles. Encumbrances and appropriations generally lapse at year-end and are treated as expenditures in the year the liability is incurred.
- (2) Annual budgets are not adopted for any other governmental fund as the City is not legally required to adopt such budgets.

CITY OF CUMBERLAND, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$0	\$209,147	0%	\$209,147	\$5,904,360 *	3.5%
July 1, 2013	\$0	\$185,277	0%	\$185,277	\$6,110,313 *	3.0%
July 1, 2014	\$0	\$142,338	0%	\$142,338	\$6,193,449	2.3%

* Restatement of previously reported information to include all active employees covered by the OPEB plan.

CITY OF CUMBERLAND, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY

MARYLAND STATE RETIREMENT SYSTEM EMPLOYEE PENSION SYSTEM
LAST TEN FISCAL YEARS*

	<u>2015</u>
City's proportion of the net pension liability	4.8%
City's proportionate share of the net pension liability	8,483,657
City's covered-employee payroll	8,050,908
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	105.38%
Plan fiduciary net position as a percentage of the total pension liability	69.53%

LAW ENFORCEMENT OFFICERS' PENSION SYSTEM
LAST TEN FISCAL YEARS*

	<u>2015</u>
City's proportion of the net pension liability	3.2%
City's proportionate share of the net pension liability	5,616,351
City's covered-employee payroll	2,322,088
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	241.87%
Plan fiduciary net position as a percentage of the total pension liability	62.60%

*This schedule is designed to present information for a 10 year period beginning with fiscal year 2015.
Until a full 10 year trend is compiled, the City will be presenting information only for those years for which information is available.

CITY OF CUMBERLAND, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS

MARYLAND STATE RETIREMENT SYSTEM EMPLOYEE PENSION SYSTEM
LAST TEN FISCAL YEARS

	2015
Contractually required contribution	\$ 1,110,294
Contributions in relation to the contractually required contribution	<u>(1,110,294)</u>
Contribution deficiency (excess)	<u><u>-</u></u>
City's covered-employee payroll	<u>\$ 8,183,050</u>
Contributions as a percentage of covered-employee payroll	13.57%

LAW ENFORCEMENT OFFICERS' PENSION SYSTEM
LAST TEN FISCAL YEARS

	2015
Contractually required contribution	\$ 696,348
Contributions in relation to the contractually required contribution	<u>(696,348)</u>
Contribution deficiency (excess)	<u><u>-</u></u>
City's covered-employee payroll	<u>\$ 2,286,856</u>
Contributions as a percentage of covered-employee payroll	30.45%

Notes to Required Supplementary Information

Change in Benefit Terms

-There were no benefit changes during the year

Change in Size or Composition of Population

-There were no significant changes in the size or composition of the population during the year

Change in Assumptions

Adjustments to the rollforward liabilities were made to reflect the following assumption changes in the 2014 valuation:

-The investment return assumption changed from 7.70% to 7.65% during the year

-The inflation assumption changed from 2.95% to 2.90% during the year

-The disability mortality assumption for the LEOPS changed to:

RP-2000 Disabled Mortality: 50% table for males and 75% for females, but not less than the RP-2000

Combined Healthy Mortality table projected to year 2025

*This schedule is designed to present information for a 10 year period beginning with fiscal year 2015.

Until a full 10 year trend is compiled, the City will be presenting information only for those years for which information is available

CITY OF CUMBERLAND, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	<i>Tax Increment Financing District</i>	<i>CDBG Fund</i>	<i>Rehabilitation Loan Fund</i>	<i>Special Taxing District</i>	<i>Community Legacy</i>	<i>Police Grants</i>	<i>Capital Projects Fund</i>	<i>Street Improvement Fund</i>	<i>Total Non-Major Governmental Funds</i>
ASSETS									
Cash and cash equivalents	\$ 17	\$ 25,252	\$ -	\$ 64,006	\$ 77,923	\$ 266	\$ 47	\$ 593,923	\$ 761,434
Investments				85,481				203,322	288,803
Taxes receivable				22,935					22,935
Accounts receivable				568					568
Due from other governments	14,508	91,653		9,296	31,428	164,432	58,858		370,175
Prepaid expenditures				300					300
Housing loans receivable			279,218						279,218
Loans receivable					561,552				561,552
Notes receivable		940,000							940,000
Total Assets	<u>\$ 14,525</u>	<u>\$ 1,056,905</u>	<u>\$ 279,218</u>	<u>\$ 182,586</u>	<u>\$ 670,903</u>	<u>\$ 164,698</u>	<u>\$ 58,905</u>	<u>\$ 797,245</u>	<u>\$ 3,224,985</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
LIABILITIES:									
Accounts payable	\$ -	\$ 51,029	\$ -	\$ 8,917	\$ -	\$ 43,578	\$ 21,506	\$ 94	\$ 125,124
Accrued wages		-		-		31			31
Interfund payables	25,949	65,876				126,822	-		218,647
Unearned revenue					56,680				56,680
Total Liabilities	<u>25,949</u>	<u>116,905</u>	<u>-</u>	<u>8,917</u>	<u>56,680</u>	<u>170,431</u>	<u>21,506</u>	<u>94</u>	<u>400,482</u>
DEFERRED INFLOWS OF RESOURCES:									
Unavailable revenues		12,959		24,212		138,866	58,858		234,895
Total Deferred Inflows of Resources	<u>-</u>	<u>12,959</u>	<u>-</u>	<u>24,212</u>	<u>-</u>	<u>138,866</u>	<u>58,858</u>	<u>-</u>	<u>234,895</u>
FUND BALANCES:									
Fund balances (deficit):									
Restricted		940,000	279,218	149,457	614,223	-	-	797,151	2,780,049
Unassigned	(11,424)	(12,959)	-	-	-	(144,599)	(21,459)	-	(190,441)
Total Fund Balances (Deficit)	<u>(11,424)</u>	<u>927,041</u>	<u>279,218</u>	<u>149,457</u>	<u>614,223</u>	<u>(144,599)</u>	<u>(21,459)</u>	<u>797,151</u>	<u>2,589,608</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,525</u>	<u>\$ 1,056,905</u>	<u>\$ 279,218</u>	<u>\$ 182,586</u>	<u>\$ 670,903</u>	<u>\$ 164,698</u>	<u>\$ 58,905</u>	<u>\$ 797,245</u>	<u>\$ 3,224,985</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<i>Tax Increment Financing District</i>	<i>CDBG Fund</i>	<i>Rehabilitation Loan Fund</i>	<i>Special Taxing District</i>	<i>Community Legacy</i>	<i>Police Grants</i>	<i>Capital Projects Fund</i>	<i>Street Improvement Fund</i>	<i>Total Non-Major Governmental Funds</i>
Revenues:									
Taxes	\$ 28,152	\$ -	\$ -	\$ 192,429	\$ -	\$ -	\$ -	\$ -	\$ 220,581
Intergovernmental		649,727		24,763	253,718	238,690	482,726		1,649,624
Interest	-	48,939	-	42	1,272	-		738	50,991
Miscellaneous		204	-	27,519	-	-	-		27,723
Total Revenues	28,152	698,870	-	244,753	254,990	238,690	482,726	738	1,948,919
Expenditures:									
Current:									
General government				252,598	-				252,598
Public safety						368,900			368,900
Community development and housing		616,245	-		225,324				841,569
Capital Outlay							1,272,147	355,901	1,628,048
Debt Service:									
Principal	32,000	92,360		1,079				405,000	530,439
Interest	5,960	49,091		70				378,260	433,381
Total Expenditures	37,960	757,696	-	253,747	225,324	368,900	1,272,147	1,139,161	4,054,935
Revenues in Excess of (Less Than) Expenditures	(9,808)	(58,826)	-	(8,994)	29,666	(130,210)	(789,421)	(1,138,423)	(2,106,016)
Other Financing Sources (Uses):									
Transfers-in	16,732	15,867	-	50,000		-	795,909	781,523	1,660,031
Transfers-out		-	(15,867)	(10,334)		(237)	-		(26,438)
Total Other Financing Sources (Uses)	16,732	15,867	(15,867)	39,666	-	(237)	795,909	781,523	1,633,593
Net Change in Fund Balance	6,924	(42,959)	(15,867)	30,672	29,666	(130,447)	6,488	(356,900)	(472,423)
Fund balance (deficit), beginning, as restated	(18,348)	970,000	295,085	118,785	584,557	(14,152)	(27,947)	1,154,051	3,062,031
Fund balance (deficit), ending	\$ (11,424)	\$ 927,041	\$ 279,218	\$ 149,457	\$ 614,223	\$ (144,599)	\$ (21,459)	\$ 797,151	\$ 2,589,608

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Municipal Parking Authority</u>	<u>Trash</u>	<u>Total Non-Major Proprietary Funds</u>
ASSETS			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 277,549	\$ 715,549	\$ 993,098
Accounts receivable	955	87,161	88,116
Due from other governments	31,435	-	31,435
Total Current Assets	<u>309,939</u>	<u>802,710</u>	<u>1,112,649</u>
<u>Noncurrent Assets:</u>			
Land and land improvements	180,737	-	180,737
Buildings and improvements	5,955,756	-	5,955,756
Machinery and equipment	341,364	-	341,364
Accumulated depreciation	<u>(2,543,001)</u>	<u>-</u>	<u>(2,543,001)</u>
Total Non-Current Assets	<u>3,934,856</u>	<u>-</u>	<u>3,934,856</u>
Total Assets	<u>4,244,795</u>	<u>802,710</u>	<u>5,047,505</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	7,495	-	7,495
Change in pension assumptions	828	-	828
Total Deferred Outflows of Resources	<u>8,323</u>	<u>-</u>	<u>8,323</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,253,118</u>	<u>\$ 802,710</u>	<u>\$ 5,055,828</u>
LIABILITIES			
<u>Current Liabilities:</u>			
Accounts payable	\$ 1,852	\$ 102,744	\$ 104,596
Accrued interest	8,328	-	8,328
Accrued health claims	5,032	-	5,032
Current portion of compensated absences	17,102	-	17,102
Current portion of bonds and notes payable	50,306	-	50,306
Total Current Liabilities	<u>82,620</u>	<u>102,744</u>	<u>185,364</u>
<u>Noncurrent Liabilities:</u>			
Compensated absences (net of current portion)	13,398	-	13,398
Bonds and notes payable (net of current portion)	2,333,722	-	2,333,722
Net pension liability	57,268	-	57,268
Total Non-Current Liabilities	<u>2,404,388</u>	<u>-</u>	<u>2,404,388</u>
Total Liabilities	<u>2,487,008</u>	<u>102,744</u>	<u>2,589,752</u>
DEFERRED INFLOWS OF RESOURCES			
Pension investment activity	6,268	-	6,268
Total Deferred Inflows of Resources	<u>6,268</u>	<u>-</u>	<u>6,268</u>
NET POSITION			
Net investment in capital assets	1,609,382	-	1,609,382
Restricted	31,435	-	31,435
Unrestricted	119,025	699,966	818,991
Total Net Position	<u>1,759,842</u>	<u>699,966</u>	<u>2,459,808</u>
Total Liabilities, Deferred inflows of Resources, and Net Position	<u>\$ 4,253,118</u>	<u>\$ 802,710</u>	<u>\$ 5,055,828</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<i>Municipal Parking Authority</i>	<i>Trash</i>	<i>Total Non-Major Proprietary Funds</i>
Operating Revenues:			
Charges for Services:			
Domestic	\$ -	\$ 1,280,202	\$ 1,280,202
Industrial	-	3,086	3,086
Rents/Concessions	401,535	-	401,535
Other	40,536	21,589	62,125
Total Operating Revenues	<u>442,071</u>	<u>1,304,877</u>	<u>1,746,948</u>
Operating Expenses:			
Personal services	241,181	-	241,181
Utilities	19,628	-	19,628
Repairs and maintenance	45,553	-	45,553
Landfill fees	-	322,437	322,437
Depreciation	136,759	-	136,759
Contractual Service	18,890	759,009	777,899
Other operating expenses	17,721	358,408	376,129
Total Operating Expenses	<u>479,732</u>	<u>1,439,854</u>	<u>1,919,586</u>
Operating income (loss)	<u>(37,661)</u>	<u>(134,977)</u>	<u>(172,638)</u>
Non-Operating (Expenses):			
Interest income	1	-	1
Interest expense	(91,896)	-	(91,896)
Total Non-Operating (loss)	<u>(91,895)</u>	<u>-</u>	<u>(91,895)</u>
Net income (loss) Before Contributions, Special Items, and Transfers	<u>(129,556)</u>	<u>(134,977)</u>	<u>(264,533)</u>
Transfers-(out)	<u>(11,592)</u>	<u>-</u>	<u>(11,592)</u>
Net income (loss)	(141,148)	(134,977)	(276,125)
Net position-beginning of year, as restated	<u>1,900,990</u>	<u>834,943</u>	<u>2,735,933</u>
Net position-end of year	<u>\$ 1,759,842</u>	<u>\$ 699,966</u>	<u>\$ 2,459,808</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<i>Municipal Parking Authority</i>	<i>Trash</i>	<i>Total Non-Major Proprietary Funds</i>
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 401,350	\$ 1,288,035	\$ 1,689,385
Cash payments to suppliers	(103,041)	(1,340,347)	(1,443,388)
Cash payments for personal services	(231,233)	-	(231,233)
Other operating receipts	40,536	21,589	62,125
Net Cash Provided (Used) by Operating Activities	<u>107,612</u>	<u>(30,723)</u>	<u>76,889</u>
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) other funds	(11,592)	-	(11,592)
Loans from (to) other funds	-	431,500	431,500
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(11,592)</u>	<u>431,500</u>	<u>419,908</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(10,954)	-	(10,954)
Proceeds from capital debt	565	-	565
Principal paid on capital debt	(11,639)	-	(11,639)
Interest paid on capital debt	(99,852)	-	(99,852)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(121,880)</u>	<u>-</u>	<u>(121,880)</u>
Cash Flows from Investing Activities:			
Interest on investments	1	-	1
Net Cash from Investing Activities:	<u>1</u>	<u>-</u>	<u>1</u>
Net Increase in Cash and Cash Equivalents	(25,859)	400,777	374,918
Cash and Cash Equivalents at Beginning of Year	303,408	314,772	618,180
Cash and Cash Equivalents at End of Year	<u>\$ 277,549</u>	<u>\$ 715,549</u>	<u>\$ 993,098</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(continued)

	<i>Municipal Parking Authority Fund</i>	<i>Trash Fund</i>	<i>Total Non-Major Proprietary Funds</i>
Reconciliation of Cash to Statement of Net Position			
Cash balance-Statement of Net Position	\$ 277,549	\$ 715,549	\$ 993,098
Investment balance-Statement of Net Position	-	-	-
Cash and Cash Equivalents-Statement of Cash Flows	<u>\$ 277,549</u>	<u>\$ 715,549</u>	<u>\$ 993,098</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (37,661)	\$ (134,977)	\$ (172,638)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	136,759	-	136,759
Pension expense	7,090	-	7,090
Change in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(185)	4,747	4,562
(Increase) in prepaid expenses	301	-	301
(Increase) decrease in deferred outflows of resources for pension contributions	(7,495)	-	(7,495)
Increase (decrease) in accounts payable	(1,550)	99,507	97,957
Increase (decrease) in accrued health claims	5,032	-	5,032
Increase (decrease) in accrued wages and compensated absences	5,321	-	5,321
Net cash provided (used) by operating activities	<u>\$ 107,612</u>	<u>\$ (30,723)</u>	<u>\$ 76,889</u>
Noncash operating, financing, and investing activities:			
Debt proceeds not received from government	\$ 31,435	\$ -	\$ 31,435

Statistical Section

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

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Financial Trends

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

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These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

93 - 95

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the near future.

Economic and Demographic Information

96 - 98

These schedules offer economic and demographic data to help the reader understand the Environment within which the City's financial activities take place.

Operating Information

99 - 101

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources:

Financial Trend, Revenue Capacity and Debt Capacity data was compiled from various sources of information maintained by the City Finance Office and the Tax and Utility Office.

Economic and Demographic Information, and Operating Information were compiled from data maintained by the various departments within the City.

Notes:

The City implemented GASB Statement 34 in FY 2003; schedules presenting government-wide information include information beginning in that year.

Where ten years of data is available, that information is presented. For consistency and comparability purposes, where ten years of data was not available, the City has presented data for the current year and ten years prior, if available.

City of Cumberland, Maryland

Net Position by Category Government Wide, Last Ten Years

	Fiscal Year										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities											
Invested in Capital Assets, Net of Related Debt	\$ 15,267,735	\$ 14,711,560	\$ 14,091,543	\$ 11,085,676	\$ 14,988,772	\$ 15,427,981	\$ 16,111,275	\$ 15,315,474	\$ 14,417,904	\$ 14,620,530	\$ 16,053,058
Restricted	505,291	734,463	749,796	657,169	886,915	917,895	1,072,036	982,836	1,153,832	1,190,885	7,538,032
Unrestricted	(534,608)	(588,266)	710,280	(1,765,789)	(5,436,042)	(4,488,333)	(5,420,125)	(3,084,925)	(3,528,950)	(3,410,070)	(25,660,165)
Total Governmental Activities Net Position	\$ 15,238,418	\$ 14,857,757	\$ 15,551,619	\$ 9,977,056	\$ 10,439,645	\$ 11,857,543	\$ 11,763,186	\$ 13,213,385	\$ 12,042,786	\$ 12,401,345	\$ (2,069,075)
Business-Type Activities											
Invested in Capital Assets, Net of Related Debt	\$ 33,492,177	\$ 33,748,518	\$ 35,809,340	\$ 37,686,049	\$ 42,359,859	\$ 57,597,712	\$ 69,709,393	\$ 70,443,754	\$ 69,384,635	\$ 68,227,169	\$ 66,477,517
Restricted	232,096	634,853	249,144	-	-	-	-	-	-	-	1,079,295
Unrestricted	2,172,581	2,336,796	1,074,763	1,864,475	(242,674)	941,058	747,042	1,338,550	783,556	1,038,693	3,169,240
Total Business-Type Activities Net Position	\$ 35,896,854	\$ 36,720,167	\$ 37,133,247	\$ 39,550,524	\$ 42,117,185	\$ 58,538,770	\$ 70,456,435	\$ 71,782,304	\$ 70,168,191	\$ 69,265,862	\$ 70,726,052
Primary Government											
Invested in Capital Assets, Net of Related Debt	\$ 48,759,912	\$ 48,460,078	\$ 49,900,883	\$ 48,771,725	\$ 57,348,631	\$ 73,025,693	\$ 85,820,668	\$ 85,759,228	\$ 83,802,539	\$ 82,847,699	\$ 82,530,575
Restricted	737,387	1,369,316	998,940	657,169	886,915	917,895	1,072,036	982,836	1,153,832	1,190,885	8,617,327
Unrestricted	1,637,973	1,748,530	1,785,043	98,686	(5,678,716)	(3,547,275)	(4,673,083)	(1,746,375)	(2,745,394)	(2,371,377)	(22,490,925)
Total Primary Government Net Assets ¹	\$ 51,135,272	\$ 51,577,924	\$ 52,684,866	\$ 49,527,580	\$ 52,556,830	\$ 70,396,313	\$ 82,219,621	\$ 84,995,689	\$ 82,210,977	\$ 81,667,207	\$ 68,656,977

¹ Net Assets for FY 2008 were restated due to a prior period adjustment presented in note 12 to the financial statements, for a pension bond obligation that should have been reported as a liability.

City of Cumberland, Maryland

Changes in Net Position by Category Government Wide, Last Ten Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General Government	\$ 1,924,694	\$ 2,529,184	\$ 2,719,050	\$ 2,264,903	\$ 2,008,255	\$ 1,954,195	\$ 1,771,708	\$ 2,118,553	\$ 1,724,950	\$ 1,849,322
Public Safety	9,729,813	10,001,075	11,400,713	10,600,736	9,770,827	10,859,621	10,208,106	11,821,758	10,880,639	12,157,604
Public Works	2,984,833	3,043,152	3,614,261	3,131,186	2,948,320	3,179,717	3,286,166	3,068,169	3,544,908	4,021,810
Recreation	1,051,627	984,452	1,231,744	995,388	961,292	1,044,698	911,635	868,557	1,001,674	926,603
Community Development and Housing	3,207,042	3,238,798	3,948,656	4,293,984	4,849,201	3,757,418	3,538,677	3,433,535	3,356,297	4,110,999
Interest on long-term debt	262,084	329,613	340,306	869,308	1,019,308	990,323	897,962	872,117	825,858	1,096,708
Total governmental activities expenses	\$ 19,160,093	\$ 20,126,274	\$ 23,254,730	\$ 22,155,505	\$ 21,557,203	\$ 21,785,972	\$ 20,614,254	\$ 22,182,689	\$ 21,334,326	\$ 24,163,046
Business-type activities:										
Water	\$ 5,833,754	\$ 5,690,721	\$ 5,974,601	\$ 6,161,821	\$ 6,320,205	\$ 6,428,633	\$ 6,171,341	\$ 5,887,924	\$ 6,080,439	\$ 6,049,157
Sewer	4,576,650	4,750,614	5,177,984	5,171,342	5,247,556	6,132,152	7,381,049	6,649,059	7,893,982	7,655,342
Municipal Parking Authority	427,664	387,032	408,599	548,361	524,639	542,434	528,298	517,206	541,410	571,628
Trash	1,060,739	1,065,377	1,119,361	1,075,309	1,053,810	1,115,033	1,146,001	1,135,797	1,136,524	1,439,854
Property Rental	130,848	73,890	112,660	120,112	301,875	850,855	765,482	428,583	740,680	-
Total business-type activities expenses	\$ 12,029,655	\$ 11,987,634	\$ 12,793,285	\$ 13,076,945	\$ 13,448,085	\$ 15,069,107	\$ 15,992,171	\$ 14,618,569	\$ 16,383,035	\$ 15,715,981
Total primary government expenses	\$ 31,189,748	\$ 32,113,908	\$ 36,048,015	\$ 36,272,450	\$ 35,005,288	\$ 36,855,079	\$ 36,606,425	\$ 36,801,258	\$ 37,717,361	\$ 39,879,027
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 568,073	\$ 632,090	\$ 597,521	\$ 678,839	\$ 694,279	\$ 763,443	\$ 702,228	\$ 648,035	\$ 733,794	\$ 786,419
Public Safety	850,504	1,825,283	1,106,758	1,348,944	1,160,036	1,214,660	1,308,047	1,094,678	1,142,733	1,612,910
Public Works	14,986	4,106	1,549	-	-	-	-	-	-	-
Recreation	134,664	146,491	158,651	116,688	101,905	109,860	159,464	137,208	134,003	151,695
Community Development and Housing	86,723	111,423	92,655	109,047	79,104	130,487	120,596	51,590	43,091	27,768
Operating grants and contributions	5,635,159	5,794,322	5,835,567	5,915,626	5,992,859	4,497,211	5,255,440	4,412,462	4,717,189	5,328,524
Capital grants and contributions	289,407	154,534	953,810	701,110	300,718	1,198,996	292,939	183,882	602,037	354,031
Total governmental activities program revenues	\$ 7,594,516	\$ 8,668,249	\$ 8,746,511	\$ 8,870,254	\$ 8,328,901	\$ 7,914,657	\$ 7,838,714	\$ 6,527,795	\$ 7,372,847	\$ 8,261,347
Business-type activities:										
Water	7,056,703	7,270,405	7,624,538	8,139,843	7,980,068	7,635,639	7,595,136	7,413,084	732,654	7,429,640
Sewer	4,732,152	4,674,930	4,863,377	5,526,205	5,326,583	5,913,116	6,526,272	7,064,517	8,508,661	9,881,937
Municipal Parking Authority	461,314	440,612	648,710	628,769	660,608	648,535	600,125	584,461	543,007	442,071
Trash	942,212	976,787	1,109,411	1,131,770	1,305,827	1,349,372	1,329,289	1,319,512	1,306,586	1,304,877
Property Rental	141,887	146,755	205,172	136,123	87,998	443,180	494,909	247,771	9,470	-
Capital grants and contributions	612,707	451,607	2,788,679	2,116,221	16,441,423	10,720,996	1,580,339	900,099	456,986	22,898
Total business-type activities program revenues	\$ 13,946,975	\$ 13,961,096	\$ 17,239,887	\$ 17,678,931	\$ 21,802,507	\$ 26,710,838	\$ 18,126,070	\$ 17,529,444	\$ 11,557,364	\$ 19,081,423
Total primary government revenues	\$ 21,541,491	\$ 22,629,345	\$ 25,986,398	\$ 26,549,185	\$ 40,131,408	\$ 34,625,495	\$ 25,964,784	\$ 24,057,239	\$ 18,930,211	\$ 27,342,770
Net (Expense)/Revenue										
Governmental activities	#####	#####	#####	\$ (13,285,251)	\$ (13,228,302)	#####	#####	#####	#####	\$ (15,901,699)
Business-type activities	1,917,320	1,973,462	4,446,602	4,601,986	18,354,422	11,641,731	2,133,899	2,910,875	1,829,088	3,365,442
Total primary government net expense	\$ (9,648,257)	\$ (9,484,563)	#####	\$ (8,683,265)	\$ 5,126,120	\$ (2,229,584)	#####	#####	#####	\$ (12,536,257)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 8,150,523	\$ 8,350,221	\$ 8,678,884	\$ 9,434,314	\$ 10,309,651	\$ 10,731,178	\$ 10,808,379	\$ 10,522,165	\$ 10,792,698	\$ 10,698,631
Franchise Fees ¹	-	246,754	247,550	276,445	281,486	277,341	272,618	270,090	268,964	278,098
Other taxes	139,034	153,686	178,467	150,390	209,624	244,000	291,276	225,263	259,413	274,942
Shared revenues	1,279,788	1,288,824	1,430,311	1,357,674	1,477,345	1,298,567	1,219,603	1,292,210	1,366,598	1,413,635
Unrestricted investment earnings	91,276	137,013	115,410	123,212	134,696	110,360	73,366	62,981	58,442	56,076
Gain on sale of capital assets	-	-	-	-	-	-	-	144,039	-	-
Special Item - Demolition Costs	-	-	-	-	-	-	-	-	-	(661,280)
Miscellaneous	386,608	189,277	284,957	352,889	144,575	183,250	748,079	88,496	117,744	178,204
Transfers	1,137,687	1,786,112	971,858	2,052,916	2,088,823	932,262	812,338	2,270,118	1,456,179	(246,333)
Total governmental activities	\$ 11,184,916	\$ 12,151,887	\$ 11,907,427	\$ 13,747,840	\$ 14,646,200	\$ 13,776,958	\$ 14,225,739	\$ 14,875,362	\$ 14,320,038	\$ 11,991,973
Business-type activities:										
Unrestricted investment earnings	43,680	225,730	104,431	17,591	3,603	8,196	4,308	3,629	7,804	7,367
Miscellaneous	-	-	-	-	-	-	-	-	270,000	497,000
Special Item - Demolition Costs	-	-	-	-	-	-	-	(72,311)	(1,553,042)	-
Special Item - Loss on Asset Impairment	-	-	-	-	-	-	-	(1,493,321)	-	-
Gain on sale of capital asset	-	-	-	-	152,383	1,200,000	-	-	-	-
Transfers	(1,137,687)	(1,786,112)	(971,858)	(2,052,916)	(2,088,823)	(932,262)	(812,338)	(2,270,118)	(1,456,179)	246,333
Total business-type activities	\$ (1,094,007)	\$ (1,560,382)	\$ (867,427)	\$ (2,035,325)	\$ (1,932,837)	\$ 275,934	\$ (808,030)	\$ (3,832,121)	\$ (2,731,417)	\$ 750,700
Total primary government	\$ 10,090,909	\$ 10,591,505	\$ 11,040,010	\$ 11,712,515	\$ 12,713,363	\$ 14,052,892	\$ 13,417,709	\$ 11,043,241	\$ 11,588,621	\$ 12,742,673
Changes in Net Assets:										
Governmental activities:	\$ (380,661)	\$ 693,862	\$ (2,600,782)	\$ 462,589	\$ 1,417,898	\$ (94,357)	\$ 1,450,199	\$ (779,532)	\$ 358,559	\$ (3,909,726)
Business-type activities:	823,313	413,080	3,579,175	2,566,661	16,421,585	11,917,665	1,325,869	(921,246)	(902,329)	4,116,142
Total primary government	\$ 442,652	\$ 1,106,942	\$ 978,393	\$ 3,029,250	\$ 17,839,483	\$ 11,823,308	\$ 2,776,068	\$ (1,700,778)	\$ (543,770)	\$ 206,416

¹ Franchise Fees were previously reports as miscellaneous income in years 2003 thru 2006

City of Cumberland, Maryland
Fund Balances - Governmental Funds
Last Ten Years

	Fiscal Year										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund											
Reserved	\$ 45,909	\$ 211,258	\$ 999,506	\$ 1,596,462	\$ 1,895,760	\$ 2,145,060	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	-	1,631,590	2,225,805	1,779,502	1,926,471	1,670,455
Restricted	-	-	-	-	-	-	595,203	527,991	475,607	375,991	5,326,935
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	357,967
Unassigned	-	-	-	-	-	-	(1,606,117)	(862,478)	438,716	36,256	-
Unreserved	(81,703)	8,176	64,288	(865,200)	(1,223,111)	(1,912,378)	-	-	-	-	-
Total general fund	<u>\$ (35,794)</u>	<u>\$ 219,434</u>	<u>\$ 1,063,794</u>	<u>\$ 731,262</u>	<u>\$ 672,649</u>	<u>\$ 232,682</u>	<u>\$ 620,676</u>	<u>\$ 1,891,318</u>	<u>\$ 2,693,825</u>	<u>\$ 2,338,718</u>	<u>\$ 7,355,347</u>
Housing Fund											
Reserved	\$ 34,585	\$ 29,340	\$ 19,636	\$ 30,041	\$ 38,724	\$ 39,059	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	39,139	39,139	1,584	-	-
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(60,820)	(37,555)	-	-	-
Unreserved	37,866	(15,681)	(21,042)	(42,550)	(79,948)	(60,790)	-	-	-	-	-
Total housing fund	<u>\$ 72,451</u>	<u>\$ 13,659</u>	<u>\$ (1,406)</u>	<u>\$ (12,509)</u>	<u>\$ (41,224)</u>	<u>\$ (21,731)</u>	<u>\$ (21,681)</u>	<u>\$ 1,584</u>	<u>\$ 1,584</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds											
Reserved	\$ 571,268	\$ 568,889	\$ 511,654	\$ 1,882,533	\$ 499,258	\$ 493,737	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	-	322,743	313,169	-	-	-
Restricted	-	-	-	-	-	-	5,468,497	3,889,521	2,269,558	1,675,300	2,780,049
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(65,124)	(19,351)	(31,807)	(60,447)	(190,441)
Unreserved	-	-	-	-	-	-	-	-	-	-	-
Special Revenue Funds	(221,023)	(281,823)	135,492	(5,014)	196,397	274,530	-	-	-	-	-
Capital Projects Funds	(6,997)	(32,112)	1,890,177	621,216	9,167,317	7,845,997	-	-	-	-	-
Total all other governmental funds	<u>343,248</u>	<u>254,954</u>	<u>2,537,323</u>	<u>2,498,735</u>	<u>9,862,972</u>	<u>8,614,264</u>	<u>5,726,116</u>	<u>4,183,339</u>	<u>2,237,751</u>	<u>1,614,853</u>	<u>2,589,608</u>
All Governmental Funds											
Total Fund Balance All Governmental Funds	<u>\$ 379,905</u>	<u>\$ 488,047</u>	<u>\$ 3,599,711</u>	<u>\$ 3,217,488</u>	<u>\$ 10,494,397</u>	<u>\$ 8,825,215</u>	<u>\$ 6,325,111</u>	<u>\$ 6,076,241</u>	<u>\$ 4,933,160</u>	<u>\$ 3,953,571</u>	<u>\$ 9,944,955</u>

Note: GASB 54 changed the classification of the components of Fund Balance to Spendable, Restricted, Committed, Assigned and Unassigned and FY 2003 thru FY 2010 were not restated.

City of Cumberland

Changes in Fund Balances - Governmental Funds Last Ten Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 8,445,424	\$ 8,652,112	\$ 8,779,740	\$ 9,799,768	\$ 10,353,170	\$ 11,646,674	\$ 10,882,483	\$ 10,817,154	\$ 11,175,297	\$ 11,275,178
Licenses and permits	189,907	1,129,714	274,909	236,101	288,312	233,466	184,514	136,179	151,120	248,312
Intergovernmental	7,215,047	7,393,334	8,009,375	8,205,565	7,968,020	7,128,218	6,852,312	5,984,096	6,488,782	7,118,645
Charges for Services	1,123,787	1,210,380	1,331,927	1,605,836	1,336,093	1,563,396	1,679,527	1,371,488	1,475,442	1,948,052
Fines and Forfeitures	793	25	375	500	1,810	391	1,080	1,785	805	1,155
Interest	95,332	140,472	118,953	124,986	108,498	112,613	75,937	65,277	61,743	59,038
Miscellaneous	563,407	677,262	536,508	797,017	565,979	623,303	755,678	524,720	595,438	527,463
Total revenue	\$ 17,633,697	\$ 19,203,299	\$ 19,051,787	\$ 20,769,773	\$ 20,621,882	\$ 21,308,061	\$ 20,431,531	\$ 18,900,699	\$ 19,948,627	\$ 21,177,843
Expenditures										
Current Operations:										
General Government	\$ 1,848,084	\$ 2,049,116	\$ 2,203,636	\$ 2,206,697	\$ 1,897,553	\$ 1,784,431	\$ 1,601,303	\$ 1,718,106	\$ 1,950,958	\$ 2,027,160
Public Safety	9,601,532	10,008,301	10,364,099	10,670,154	10,266,999	10,676,478	10,283,408	10,364,932	10,820,344	11,650,997
Public Works	2,467,915	2,608,485	3,087,626	2,486,053	2,435,387	2,401,370	2,692,508	2,421,606	2,617,524	2,953,458
Recreation	1,138,786	1,008,340	1,147,048	1,009,605	872,041	888,296	786,257	804,246	837,579	806,133
Community development and housing	3,505,883	3,362,049	4,090,933	5,449,267	5,287,740	4,044,178	3,645,278	3,318,134	3,318,234	4,451,754
Capital Outlay	116,420	916,129	2,077,914	930,412	1,502,551	3,650,316	1,332,967	2,047,829	1,178,513	1,628,048
Principal	790,555	763,831	902,588	1,164,828	1,181,844	931,548	653,691	902,173	1,506,713	1,309,403
Interest	261,936	299,992	332,758	717,536	1,011,608	998,502	920,672	883,645	838,884	1,056,403
Bond issue costs	7,998	8,007	-	294,690	-	-	141,397	-	39,246	59,900
Total Expenditures	\$ 19,739,109	\$ 21,024,250	\$ 24,206,602	\$ 24,929,242	\$ 24,455,723	\$ 25,375,119	\$ 22,057,481	\$ 22,460,671	\$ 23,107,995	\$ 25,943,256
Excess (deficiency) revenue over expenditures	\$ (2,105,412)	\$ (1,820,951)	\$ (5,154,815)	\$ (4,159,469)	\$ (3,833,841)	\$ (4,067,058)	\$ (1,625,950)	\$ (3,559,972)	\$ (3,159,368)	\$ (4,765,413)
Other Financing Sources (Uses)										
Transfers-in	\$ 1,185,643	\$ 2,297,823	\$ 1,647,212	\$ 2,477,328	\$ 2,637,175	\$ 1,699,381	\$ 2,560,339	\$ 3,407,141	\$ 3,595,131	\$ 6,289,161
Transfers-out	(47,956)	(511,711)	(481,787)	(683,366)	(472,516)	(708,450)	(1,250,111)	(1,144,392)	(2,138,952)	(1,670,601)
Issuance of debt	1,057,100	3,118,258	2,280,600	9,154,872	-	576,003	2,587,781	10,103	-	5,352,339
Sale of capital assets	-	-	-	-	-	-	-	144,039	-	-
Refunding Proceeds	417,144	1,226,597	-	3,636,221	-	-	-	-	-	-
Special Item - Demolition Costs	-	-	-	-	-	-	-	-	-	(661,280)
Payment to refund bonds	(398,377)	(1,198,352)	-	(3,148,677)	-	-	(2,520,929)	-	723,600	-
Total Other Financing Sources (Uses)	\$ 2,213,554	\$ 4,932,615	\$ 3,446,025	\$ 11,436,378	\$ 2,164,659	\$ 1,566,934	\$ 1,377,080	\$ 2,416,891	\$ 2,179,779	\$ 9,309,619
Net change in fund balances	\$ 108,142	\$ 3,111,664	\$ (1,708,790)	\$ 7,276,909	\$ (1,669,182)	\$ (2,500,124)	\$ (248,870)	\$ (1,143,081)	\$ (979,589)	\$ 4,544,206
Debt Service as percentage of non-capital expenditures	5.70%	5.44%	5.84%	8.04%	9.86%	-7.12%	-4.91%	8.82%	10.70%	-6.82%
Note: Expenditures for Capital Assets are reported above as "Capital Outlays, as well as departmental expenditures. The total expenditures for capital assets is utilized for computing the ratio above.										
Total Expenditures for Capital Assets	\$ 1,272,265	\$ 1,454,302	\$ 3,036,705	\$ 1,508,817	\$ 2,209,720	\$ 52,496,276	\$ 54,113,701	\$ 2,215,695	\$ 1,788,721	\$ 60,637,418

City of Cumberland, Maryland

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections and Credits	Percent of Levy Collected	Delinquent Tax Collections and Credits	Total Tax Collections and Credits	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2015	\$ 10,309,841	\$ 9,382,860	91.01%	\$ -	\$ 9,382,860	91.01%	926,981	8.99%
2014	\$ 10,280,128	\$ 9,367,169	91.12%	\$ 552,555	\$ 9,919,724	96.49%	360,404	3.51%
2013	\$ 10,137,308	\$ 8,943,020	88.22%	\$ 1,152,848	\$ 10,095,868	99.59%	41,440	0.41%
2012	\$ 10,549,106	\$ 9,409,920	89.20%	\$ 1,100,586	\$ 10,510,506	99.63%	38,600	0.37%
2011	\$ 10,221,915	\$ 9,672,280	94.62%	\$ 495,803	\$ 10,168,083	99.47%	53,832	0.53%
2010	\$ 9,765,311	\$ 8,509,422	87.14%	\$ 1,167,233	\$ 9,676,655	99.09%	88,656	0.91%
2009	\$ 8,940,621	\$ 8,296,738	92.80%	\$ 632,741	\$ 8,929,479	99.88%	11,142	0.12%
2008	\$ 6,566,258	\$ 5,933,129	90.36%	\$ 625,898	\$ 6,559,027	99.89%	7,231	0.11%
2007	\$ 6,210,956	\$ 5,986,973	96.39%	\$ 211,049	\$ 6,198,022	99.79%	12,934	0.21%
2006	\$ 5,315,397	\$ 5,122,796	96.38%	\$ 183,170	\$ 5,305,966	99.82%	9,431	0.18%

Note: The above information relates to property tax levies and collections in the General Fund.
Total collections include adjustments in "total tax levy" in year prior to original tax levy.

Source: Property Taxes and Taxes Receivable – Uniform Financial Report.

City of Cumberland, Maryland

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Real Property</u>		<u>Real Property</u> <u>Total Direct</u> <u>Tax Rate</u>	<u>Personal Property -</u> <u>Unincorporated</u>		<u>Personal Property - Privately</u> <u>Owned Railroads and Public</u> <u>Utilities</u>		<u>Personal Property - Corporation</u>		<u>Total Personal Property Tax</u> <u>Base</u>		<u>Personal</u> <u>Property</u> <u>Total Direct</u> <u>Tax Rate</u>
	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>		<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>	
2015	\$847,037,497	\$ 847,037,497	\$0.9654	\$ 1,620,657	\$ 1,620,657	\$ 38,684,890	\$ 38,684,890	\$ 41,014,172	\$ 41,014,172	\$ 928,357,216	\$ 928,357,216	\$2.648
2014	\$844,353,117	\$ 844,353,117	\$0.9654	\$ 1,777,681	\$ 1,777,681	\$ 36,838,390	\$ 36,838,390	\$ 42,150,092	\$ 42,150,092	\$ 925,119,280	\$ 925,119,280	\$2.648
2013	\$837,573,545	\$ 837,573,545	\$0.9654	\$ 1,979,532	\$ 1,979,532	\$ 35,630,660	\$ 35,630,660	\$ 40,595,652	\$ 40,595,652	\$ 915,779,389	\$ 915,779,389	\$2.648
2012	\$885,953,180	\$ 885,953,180	\$0.9654	\$ 1,503,927	\$ 1,503,927	\$ 43,186,620	\$ 43,186,620	\$ 32,027,657	\$ 32,027,657	\$ 962,671,384	\$ 962,671,384	\$2.648
2011	\$839,310,545	\$ 839,310,545	\$0.9654	\$ 1,684,932	\$ 1,684,932	\$ 33,803,640	\$ 33,803,640	\$ 45,071,441	\$ 45,071,441	\$ 919,870,558	\$ 919,870,558	\$2.648
2010	\$786,812,202	\$ 786,812,202	\$0.9654	\$ 1,583,459	\$ 1,583,459	\$ 34,788,640	\$ 34,788,640	\$ 59,410,206	\$ 59,410,206	\$ 882,594,507	\$ 882,594,507	\$2.648
2009	\$721,894,655	\$ 721,894,655	\$0.9654	\$ 1,798,753	\$ 1,798,753	\$ 38,538,100	\$ 38,538,100	\$ 33,942,231	\$ 33,942,231	\$ 796,173,739	\$ 796,173,739	\$2.648
2008	\$675,560,720	\$ 675,560,720	\$0.9479	\$ 2,164,894	\$ 2,164,894	\$ 37,694,880	\$ 37,694,880	\$ 75,428,421	\$ 75,428,421	\$ 790,848,915	\$ 790,848,915	\$2.568
2007	\$651,505,538	\$ 651,505,538	\$0.9479	\$ 1,996,728	\$ 1,996,728	\$ 42,019,704	\$ 42,019,704	\$ 38,849,771	\$ 38,849,771	\$ 734,371,741	\$ 734,371,741	\$2.568
2006	\$607,847,477	\$ 607,847,477	\$0.9479	\$ 2,145,639	\$ 2,145,639	\$ 41,165,849	\$ 41,165,849	\$ 45,560,670	\$ 45,560,670	\$ 696,719,635	\$ 696,719,635	\$2.568

Notes: As the result of a change to state law, all real property will be assessed at 100 percent of value, rather than 40 percent for the tax year beginning July 1, 2001

Source: Property Taxes and Taxes Recivable - Uniform Financial Report

City of Cumberland, Maryland

Property Tax Rates and Tax Levies (Real Property) – Direct Overlapping Governments

Last Ten Fiscal Years

<u>Fiscal Year Ended</u>	<u>Tax Rate per \$100 of Assessed Value</u>				<u>Tax Levies</u>			
	<u>City</u>	<u>County</u>	<u>State</u>	<u>Total</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>Total</u>
June 30								
2015	\$ 0.9654	\$ 0.8486	\$ 0.112	\$ 1.93	\$ 8,177,300	\$ 7,187,960	\$ 948,682	\$ 16,313,942
2014	\$ 0.9654	\$ 0.8530	\$ 0.112	\$ 1.93	\$ 8,151,385	\$ 7,202,247	\$ 945,675	\$ 16,299,307
2013	\$ 0.9654	\$ 0.8424	\$ 0.112	\$ 1.92	\$ 8,085,935	\$ 7,055,720	\$ 938,082	\$ 16,079,737
2012	\$ 0.9654	\$ 0.8371	\$ 0.112	\$ 1.91	\$ 8,552,992	\$ 7,416,314	\$ 992,268	\$ 16,961,574
2011	\$ 0.9654	\$ 0.8519	\$ 0.112	\$ 1.93	\$ 8,102,704	\$ 7,150,087	\$ 940,028	\$ 16,192,818
2010	\$ 0.9654	\$ 0.8990	\$ 0.112	\$ 1.98	\$ 7,595,884	\$ 7,073,442	\$ 881,230	\$ 15,550,555
2009	\$ 0.9654	\$ 0.9907	\$ 0.112	\$ 2.06	\$ 6,969,170	\$ 7,151,810	\$ 808,522	\$ 14,929,502
2008	\$ 0.9479	\$ 0.9829	\$ 0.112	\$ 2.04	\$ 6,403,640	\$ 6,640,086	\$ 756,628	\$ 13,800,354
2007	\$ 0.9479	\$ 0.9828	\$ 0.112	\$ 2.04	\$ 6,175,620	\$ 6,402,996	\$ 729,686	\$ 13,308,302
2006	\$ 0.9479	\$ 0.9309	\$ 0.112	\$ 1.99	\$ 5,308,503	\$ 6,485,763	\$ 780,325	\$ 12,574,591

Note: City Tax Levies calculated by adding full and semi levies. County and State calculated by using County assessment numbers in the Allegany County Comprehensive Annual Financial Report

Source: Assessed value for County and State according to the Allegany County Comprehensive Annual Financial Report

City of Cumberland, Maryland

Principal Property Tax Payers
Real Property Taxes

Current Year and Nine Years Ago

2015				2005			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City
Western MD Health System Inc	\$ 16,752,800	1	1.98%	ARC Cumberland	\$ 6,105,632	1	1.07%
CSX Transportation	\$ 10,558,180	2	1.25%	Western Maryland Health System	\$ 5,999,032	2	1.06%
ARC Cumberland	\$ 9,213,700	3	1.09%	CSX Transportation	\$ 5,100,430	3	0.90%
Black Sapphire C Cumberland	\$ 6,667,700	4	0.79%	Allegany Healthcare Group	\$ 5,075,300	4	0.89%
CFBC Properties	\$ 5,438,600	5	0.64%	Allcity Hospitality Cumberland	\$ 5,021,532	5	0.88%
Perini Services-Devlin Manor	\$ 5,236,800	6	0.62%	Cumberland Manor Associates	\$ 4,973,300	6	0.88%
123 South Liberty St LLC	\$ 5,061,900	7	0.60%	Cumberland Housing Preservation	\$ 4,452,232	7	0.78%
S-N Realty LLC	\$ 4,528,200	8	0.54%	S-N Realty LLC	\$ 4,423,400	8	0.78%
Allegany Healthcare Group LLC	\$ 4,248,000	9	0.50%	Housing Authority of Cumberland	\$ 4,371,566	9	0.77%
BOIII Cumberland LLC	\$ 3,527,600	10	0.42%	Perini Services-Devlin Manor	\$ 3,964,232	10	0.70%
Percentage of total taxes for year			8.44%				8.71%
Total	\$ 844,353,117				\$ 568,048,694		

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Principal Property Tax Payers
Corporation Personal Property Taxes

Current Year and Nine Years Ago

2015				2005			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Value of Real Property in the City
Potomac Edison Company	\$ 13,101,580	1	16.59%	Verizon - Maryland	\$ 16,401,752	1	21.75%
CSX Transportation	\$ 9,448,900	2	11.97%	Potomac Edison Company	\$ 9,953,172	2	13.20%
Columbia Gas of Maryland	\$ 7,630,590	3	9.66%	Columbia Gas of Maryland	\$ 8,011,132	3	10.62%
Verizon - Maryland	\$ 7,539,090	4	9.55%	CSX Transportation	\$ 3,710,857	4	4.92%
Atlantic Broadband	\$ 3,178,680	5	4.03%	Charter Communications VI	\$ 3,229,173	5	4.28%
Maryland Sheetz	\$ 2,178,180	6	2.76%	Giant Food Stores	\$ 1,373,735	6	1.82%
De Lage Landen Operational Serv	\$ 1,481,800	7	1.88%	Spherix Incorporated	\$ 1,200,821	7	1.59%
Galliker Dairy Company	\$ 1,425,960	8	1.81%	Level 3 Communications	\$ 1,094,785	8	1.45%
Giant Food Stores	\$ 1,282,310	9	1.62%	Community Holdings of MD	\$ 973,357	9	1.29%
Haystack Imaging Services	\$ 1,177,730	10	1.49%	Mobile Interim Solutions	\$ 798,563	10	1.06%
Percentage of total taxes for year			61.36%				61.98%
Total	\$ 78,955,131			\$ 75,423,755			

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

<u>Fiscal</u> <u>Year</u> <u>Ended</u>		<u>Assessed</u> <u>Value</u>	<u>Total</u> <u>Bonded</u> <u>Debt - Primary</u> <u>Government</u> ³	<u>Proprietary</u> <u>Funds</u> ⁴	<u>Governmental</u> <u>Funds (Net)</u>	<u>Net</u> <u>Governmental</u> <u>Bonded Debt</u> <u>to Assessed</u> <u>Value Ratio</u>	<u>Net</u> <u>Governmental</u> <u>Bonded Debt</u> <u>to Per Capita</u> <u>Ratio</u>	<u>Notes and</u> <u>Leases for</u> <u>Governmental</u> <u>Funds</u>	<u>Notes and</u> <u>Leases for</u> <u>Proprietary</u> <u>Funds</u>	<u>Total Debt</u> <u>Per capita</u>
<u>June 30</u>	<u>Population</u> ¹	<u>(000's)</u> ²								
2015	20,859	\$ 928,357	\$ 56,247,579	\$ 31,527,406	\$ 24,720,173	26.63%	1,185	\$ 1,037,958	\$ 3,177	\$ 2,746.47
2014	20,452	\$ 925,119	\$ 51,538,869	\$ 35,861,554	\$ 15,677,315	16.94%	767	\$1,262,880	\$ 6,825	\$ 2,582.07
2013	20,572	\$ 915,779	\$ 45,749,091	\$ 30,176,967	\$ 15,572,124	17.00%	757	\$2,151,184	\$3,222,865	\$ 2,485.08
2012	20,859	\$ 962,671	\$ 45,656,257	\$ 29,567,795	\$ 16,088,462	16.71%	771	\$2,526,912	\$3,517,656	\$ 2,478.59
2011	20,859	\$ 919,870	\$ 45,873,604	\$ 29,702,693	\$ 16,170,911	17.58%	775	\$3,031,306	\$3,842,922	\$ 2,528.78
2010	20,449	\$ 882,594	\$ 44,603,623	\$ 27,897,779	\$ 16,705,844	18.93%	817	\$2,851,918	\$2,644,322	\$ 2,449.99
2009	20,495	\$ 796,174	\$ 41,286,363	\$ 24,029,223	\$ 17,257,140	21.68%	842	\$3,424,630	\$2,984,847	\$ 2,327.19
2008	20,758	\$ 790,849	\$ 30,379,946	\$ 24,946,950	\$ 5,432,996	6.87%	262	\$3,817,476	\$3,322,252	\$ 1,807.48
2007	21,518	\$ 734,371	\$ 32,979,947	\$ 26,987,965	\$ 5,991,982	8.16%	278	\$2,019,579	\$3,310,224	\$ 1,780.36
2006	20,758	\$ 696,719	\$ 30,508,048	\$ 25,881,353	\$ 4,626,695	6.64%	223	\$1,002,193	\$514,854	\$ 1,542.78

¹ Source: City of Cumberland – Community Development.

² Source: Property Taxes and Taxes Receivable – Uniform Financial Report.

³ Source: Outstanding Debt at Years End – Financial Report.

⁴ Source: Notes to the Financial Statement.

Personal Income Information Not Available

City of Cumberland, Maryland

Computation of Direct and Overlapping Debt

June 30, 2015

<u>Municipality</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City Rounded</u>	<u>Amount Applicable to the City</u>
City of Cumberland ¹	\$25,758,131	100.0%	\$25,758,131
Allegany County , Maryland ²	\$24,272,443	24.27% ³	\$5,890,922
Total debt and overlapping debt	\$50,030,574		\$31,649,053

¹ Source: Notes to the Financial Statement

² Source: According to the Allegany County Comprehensive Annual Financial Report

³ Percentage based on Net Assessable Tax Base

City of Cumberland, Maryland

Ratios of Annual Debt Service Expenditures

For General Bonded Debt to Total General Governmental Expenditures

Last Ten Fiscal Years

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt</u> <u>Service</u>	<u>Total General</u> <u>Governmental</u> <u>Expenditures</u>	<u>Ratio of Debt</u> <u>Service to Total</u> <u>General</u> <u>Governmental</u> <u>Expenditures</u>
2015	778,964	623,022	1,401,986	19,944,887	7.03%
2014	996,427	384,856	1,381,283	17,915,930	7.71%
2013	409,378	409,392	818,770	16,180,521	5.06%
2012	537,321	434,667	971,988	16,633,582	5.84%
2011	814,737	505,787	1,320,524	16,973,912	7.78%
2010	1,054,179	510,093	1,564,272	18,192,637	8.60%
2009	1,094,334	514,034	1,608,368	17,986,019	8.94%
2008	839,453	306,500	1,145,953	17,912,962	6.40%
2007	715,842	271,527	987,369	15,235,900	6.5%
2006	746,627	230,230	976,857	15,824,776	6.17%

Source: Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget and Actual, General Fund - Financial Report.

City of Cumberland, Maryland

Economic and Demographic Statistics

<u>Calendar Year</u>	<u>Population</u> ¹
1950	37,679
1960	33,415
1970	29,724
1980	25,933
1990	23,712
2000	21,518
2005	20,915
2008	20,758
2009	20,495
2010	20,449
2011	20,859
2012	21,518
2013	20,572
2014	20,452
2015	20,859

Employment in Cumberland, Maryland ²

Estimated	8,779
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	2015 Median Household Income ³	2015 Per Capita Personal Income	2015 Total Personal Income (000's)	Unemployment Rate ⁴
Allegany County	\$31,649	\$34,547	\$2,453,991	6.0%
Maryland (Average)	\$72,483	\$51,971	\$275,200,825	6.1%

¹ Source: City of Cumberland - Community Development-Legacy Plan

² Source: United States Census - 2000

³ Source: <http://www.choosemaryland.org/factsandfigures/demographics/incomedata.html> (Income)

⁴ Source: Bureau of Labor Statistics - <http://www.bls.gov/ro3/mdlaus.htm>

Information was not available for previous years.

City of Cumberland, Maryland

Number of Employees for Ten Largest
Employers within the City for Current Year and Nine Years Ago

Employer	2015			2005		
	# of Employees	Rank	Percentage of Total City Employment	# of Employees	Rank	Percentage of Total City Employment
Western Maryland Health System	2,200	1	19.97%	2,300	1	20.88%
Allegany County Board of Education	1239	2	11.25%	1,335	4	12.12%
CSX Transportation	900	3	8.17%	1,000	2	9.08%
Allegany College of MD	800	4	7.26%	460	5	4.18%
Allegany County Government	427	5	3.88%	588	3	5.34%
City of Cumberland	265	6	2.41%	295	7	2.68%
Friends Aware	175	7	1.59%	212	8	1.92%
Martins	172	8	1.56%	200	9	1.82%
CareFirst BC/BS	170	9	1.54%	N/A	N/A	N/A
YMCA	168	10	1.53%	N/A	N/A	N/A
Spherix	N/A	N/A	N/A	425	6	3.86%
M& T Bank	N/A	N/A	N/A	158	10	1.43%
Total employees for ten largest employers	6,516		59.15%	6,973		63.30%

Source: Information provided by Economic Development Office

City of Cumberland, Maryland

Building Permits Issued and Property Values

Last Ten Fiscal Years

Fiscal Year Ended June 30	<u>Commercial Construction</u>		<u>Residential Construction</u>	
	Number of Units	Value	Number of Units	Value
2015	29	\$ 14,277,583	105	\$ 4,052,790
2014	16	\$ 5,222,000	24	\$ 2,413,000
2013	23	\$ 2,440,450	21	\$ 945,250
2012	26	\$ 6,274,930	49	\$ 6,691,581
2011	29	\$ 14,209,451	32	\$ 1,960,500
2010	45	\$ 13,517,100	43	\$ 16,902,316
2009	30	\$ 20,210,138	34	\$ 1,156,302
2008	27	\$ 28,073,590	54	\$ 5,093,844
2007	29	\$ 237,472,069	45	\$ 2,034,514
2006	40	\$ 13,042,211	104	\$ 7,313,839
2005	44	\$ 3,122,964	41	\$ 1,277,931
2004	38	\$ 13,830,750	37	\$ 2,034,276

Source: Department of Community Development - Codes Technician

City of Cumberland, Maryland

Employees by Function

<u>General Government</u>	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
Administration:									
Mayor & Council	5	5	5	5	5	5	5	5	5
City Administrator	1	1	1	1	2	2	2	2	2
City Clerk	2	2	2	1	1	1	1	1	1
Personnel	2	2	2	2	2	2	2	2	2
Economic Development	2	2	2	2	2	2	3	3	3
Finance	11	11	11	11	12	13	13	13	13
MIS	4	4	4	4	4	4	4	4	4
Community Development	15	15	12	12	14	14	14	16	24
Parks and Recreation	1	1	1	1	1	8	8	8	7
Public Works:									
Administration	3	3	3	3	3	3	3	3	3
Engineering	10	10	9	9	8	8	9	9	8
Vehicle Maintenance	4	4	2	4	6	6	6	6	7
Street Department	16	16	18	19	20	16	18	18	18
Police Department	66	66	61	61	55	53	56	54	63
Fire Department	62	62	66	66	64	62	62	65	63
<u>Enterprise Operations</u>									
Water Distribution	21	21	21	21	22	23	24	24	25
Water Filtration	9	9	9	9	9	9	10	10	9
Waste Water	17	17	17	16	18	18	18	14	18
Flood/Sewer	14	14	13	13	13	13	12	12	14
Total Employees	265	265	259	260	261	262	270	269	289

Note: Information was not available for FY 2001 through FY 2006

Source: City of Cumberland Human Resources Department

City of Cumberland, Maryland
Capital Assets Statistics by Function

Function	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
General Government									
Public Safety:									
Stations	1	1	1	1	1	1	1	1	1
Number of Patrol Units	33	33	32	32	34	38	42	39	39
Fire:									
Stations	3	3	3	3	3	3	3	3	3
Number of Vehicles	15	15	14	14	14	16	16	16	16
Public Works:									
Streets (miles)	150.7	150.7	150.7	150.07	150.7	148.339	150.7	150.7	189.33
Traffic Signals	22	22	22	22	22	22	22	24	24
Enterprise Operations									
Water Operations:									
Miles of Water Main	120	120	120	135	142.24	142.24	142.24	142.24	142.24
Number of Fire Hydrants	900	900	900	900	932	932	932	932	932
Waste Water Operations:									
Miles of Storm/Sanitary Sewers	135	135	135	135	135	135	122.72	122.72	122.72
Number of Treatment Plants	1	1	1	1	1	1	1	1	1

Note: Information was not available for FY 2001 through FY 2006

Sources: Information provided by central office for each respective City department.

City of Cumberland, Maryland

Operating Indicators by Function

Function	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
General Government									
Building Permits Issued:									
Commercial Permits Issued	38	16	23	26	29	45	30	27	29
Residential Permits Issued	15	24	21	49	32	43	34	54	45
Total Value of Permits Issued	\$17,983,931	\$7,635,000	\$3,385,700	\$12,966,511	\$16,169,951	\$30,419,416	\$21,366,440	\$33,167,434	\$239,506,583
Public Safety:									
Traffic Citations	722	1,025	1,275	1,909	952	2,339	1,137	943	1,346
Arrests	1,956	1,859	2,298	2,354	2,220	2,070	2,420	2,066	2,863
Fire:									
Number of Emergency Calls	5,658	4,934	4,923	4,642	4,566	4,743	4,694	4,515	4,320
Number of Fire Calls	1,341	1,257	1,222	1,249	1,164	1,304	1,127	1,200	1,255
Public Works:									
Miles of Streets Maintained	134	133.57	133.57	133.57	133.57	133.214	133.57	133.57	189.33
Street Overlay Costs	\$53,833	\$24,472	\$12,828	\$192,864	\$58,015	\$192,976	\$73,310	\$146,648	\$42,794.0
Enterprise Operations									
Water Operations:									
Number of Service Connections	9,895	9,890	8,982	9,901	9,868	9,843	9,827	9,852	9,253
Average Daily Consumption (Gallons)	5.583 Million	5.523 Million	5.323 Million	5.703 Million	5.418 Million	5.646 Million	6.205 Million	5.352 Million	8.658 Million
Maximum Daily Capacity of Plant (Gallons)	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million
Waste Water Operations:									
Number of Service Connections	8,980	8,979	9,892	8,879	8,914	8,894	8,879	8,888	9,254
Average Daily Treatment (Gallons)	10.335 Million	10.764 Million	9.815 Million	10.428 Million	10.428 Million	12.383 Million	12.383 Million	12.676 Million	13.761 Million
Maximum Daily Capacity of Plant (gallons)	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million	15 Million

Note: Information was not available for FY 2001 through FY 2006

Sources: Information provided by central office for each respective City department.